

DEFENSE BUSINESS BOARD

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Department of Defense
OFFICE OF PREPUBLICATION AND SECURITY REVIEW



FY2020 NDAA § 904 Assessment of Responsibilities and Authorities of the Chief Management Officer of the Department of Defense

6 May 2020

**SLIDES ONLY
NO SCRIPT PROVIDED**

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DBB Task Force

Tasking Timeline

December 20, 2019

In § 904 of the Fiscal Year (FY) 2020 National Defense Authorization Act (NDAA), Congress required the Secretary of Defense (SD) to have two assessments of the implementation of the position of Chief Management Officer (CMO) of the Department of Defense (DoD) conducted, of which one would be from an independent body.

February 3, 2020

The Deputy Secretary of Defense (DSD) signed a memo to the Defense Business Board (DBB) to conduct the independent assessment, assigning Arnold Punaro and Atul Vashistha to co-lead the effort. In that memo, the DSD additionally directed the Office of the Secretary of Defense (OSD) and DoD components to provide any support requested by the DBB.



6 Tasks Enumerated in § 904

904(b) ASSESSMENT ELEMENTS.—Each assessment conducted pursuant to subsection (a) shall include an assessment of the implementation of the position of Chief Management Officer of the Department of Defense, including and taking into account the following:

- Task 1: The extent to which the **position has been effective** in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.
- Task 2: The **perspectives of the Under Secretaries of the military departments** on the matters described in paragraph (1) based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.
- Task 3: The extent to which the **ingrained organizational culture** of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.
- Task 4: The **observations of the Comptroller General** of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.
- Task 5: An identification and comparison of **best practices in the private sector and the public sector** for the responsibilities and authorities of Chief Management Officers.
- Task 6: An identification and assessment of **differences in responsibilities and authorities** of the Chief Management Officer of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.

*Section 904 FY20 NDAA



Committee Report Language

In addition to the assessment enumerated in § 904, the DBB also considered report language that accompanied the conference report which further noted:

“The conferees note the Department has faced significant structural challenges in implementing the Chief Management Officer position since its inception.

Accordingly, it is the conferees’ intention to **change the position from senior executive schedule II to III** and, pending the assessment directed by this section, to **disestablish the Chief Management Officer** position altogether.

The conferees therefore direct the Secretary to ensure the assessment provided for in this section is **sufficiently comprehensive to allow for the reassignment of roles and responsibilities, as well as the authorities** that would be necessary for orderly transition of such activities should the conferees decide to do so.”*

*Joint Explanatory Statement of the Committee of Conference - House Report 333, 2018



DBB Task Force

Maj Gen Arnold Punaro, USMC, Ret.
Co-Chair

Former Staff Director, Senate Armed Service Committee; Chair of numerous previous studies on DoD organization; Chief Executive Officer (CEO), The Punaro Group

Mr. Atul Vashistha
Co-Chair

DBB Co-Chair; Founder and Chairman, Neo Group; global business leader

Dean David Van Slyke

Dean of the Maxwell School of Citizenship and Public Affairs, Syracuse University, the #1 public policy school in the United States

HON David Walker

Professor (William J. Crowe Chair), U.S. Naval Academy; former Comptroller General of the United States and CEO of the GAO; former President and CEO of the Peter G. Peterson Foundation



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A Strategic Imperative to Reform the Department's Approach to Business Transformation

DoD's Burning Platform

Changing Security Threats

- China is a new peer threat economically (#1 gross domestic product (GDP) in purchasing power parity (PPP)), diplomatically (#1 in embassies), militarily (#2-3 and rising), and culturally
- Russia's development of new weapons (e.g., hypersonic missiles)
- Emerging alliances to counter the U.S. on a global basis (e.g., China, Russia, Iran, North Korea, etc.)
- Eroding of traditional U.S. Alliances (e.g., Philippines, Thailand)
- Emerging threats and competitive spaces (e.g., Biological, Cyber, Space)

Growing Fiscal Pressures

- Increasing Debt/GDP that has been exacerbated by the added costs incurred responding to the novel Coronavirus Disease 2019 (Covid-19)
- Increased pressure on discretionary spending, including DoD, due to the above, and the continued growth of mandatory spending (e.g., Social Security, Medicare/Medicaid, interest on the debt)

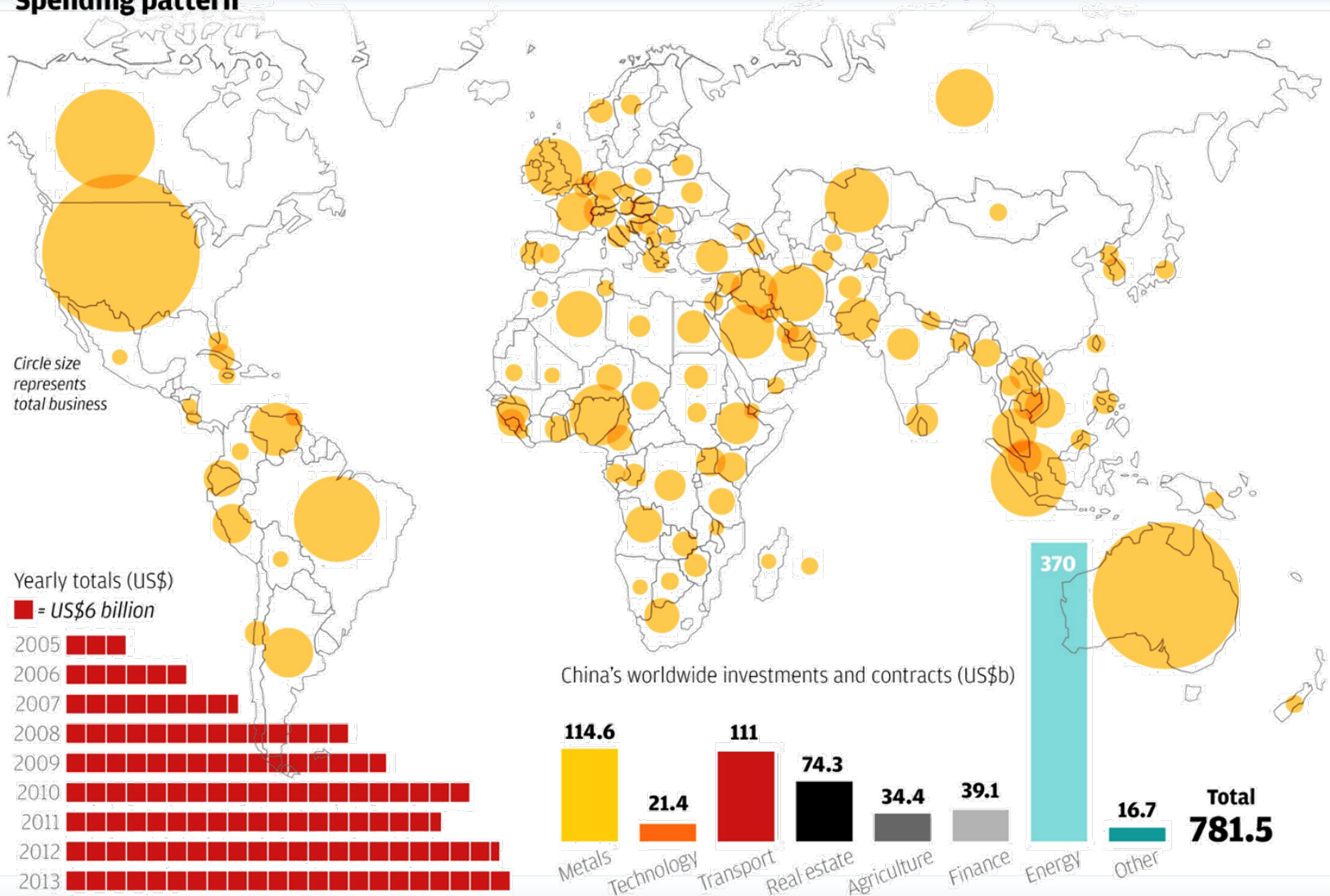
Defense Business Operations are Big Business

- DoD has six direct Government Accounting Office (GAO) High Risk areas and shares seven government-wide High Risk areas. Biological will be soon added
- Continued growth in "tail-to-tooth" ratios, and the Defense Agencies and Field Activities (DAFA) and Fourth Estate



Global Challenges: Chinese Global Investment

Spending pattern



Source: The Heritage Foundation

SCMP



Global Challenges: Chinese Global Presence

The PLA is on the move

China's armed forces engage in a much broader range of joint exercises, training and military operations other than war



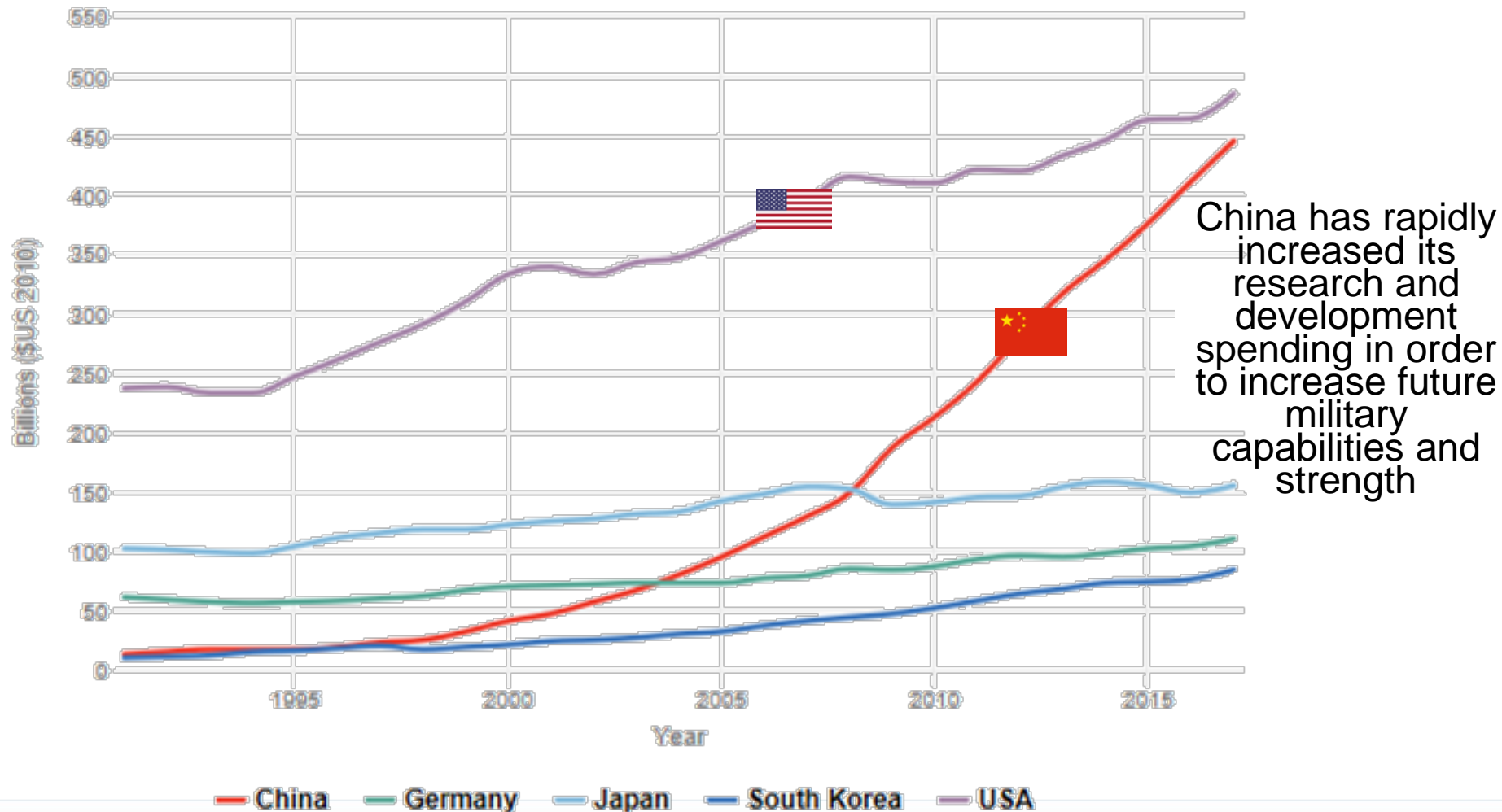
Source: Mercator Institute for China Studies <https://www.merics.org/en>

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Global Challenges: Technical Dominance

Gross Domestic Spending on R&D



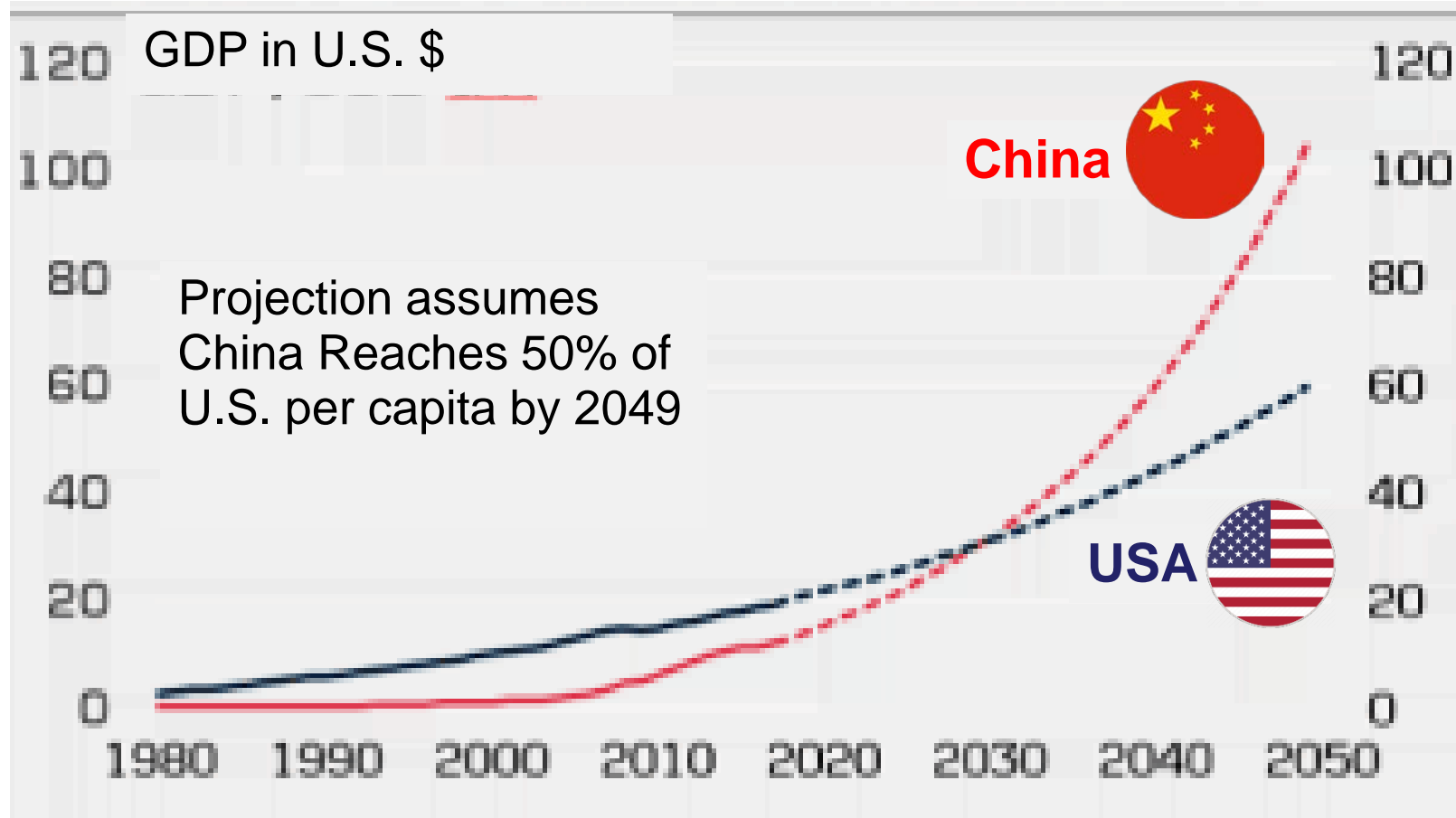
Source: CSIS China Power Project <https://chinapower.csis.org/chinese-companies-global-500/>

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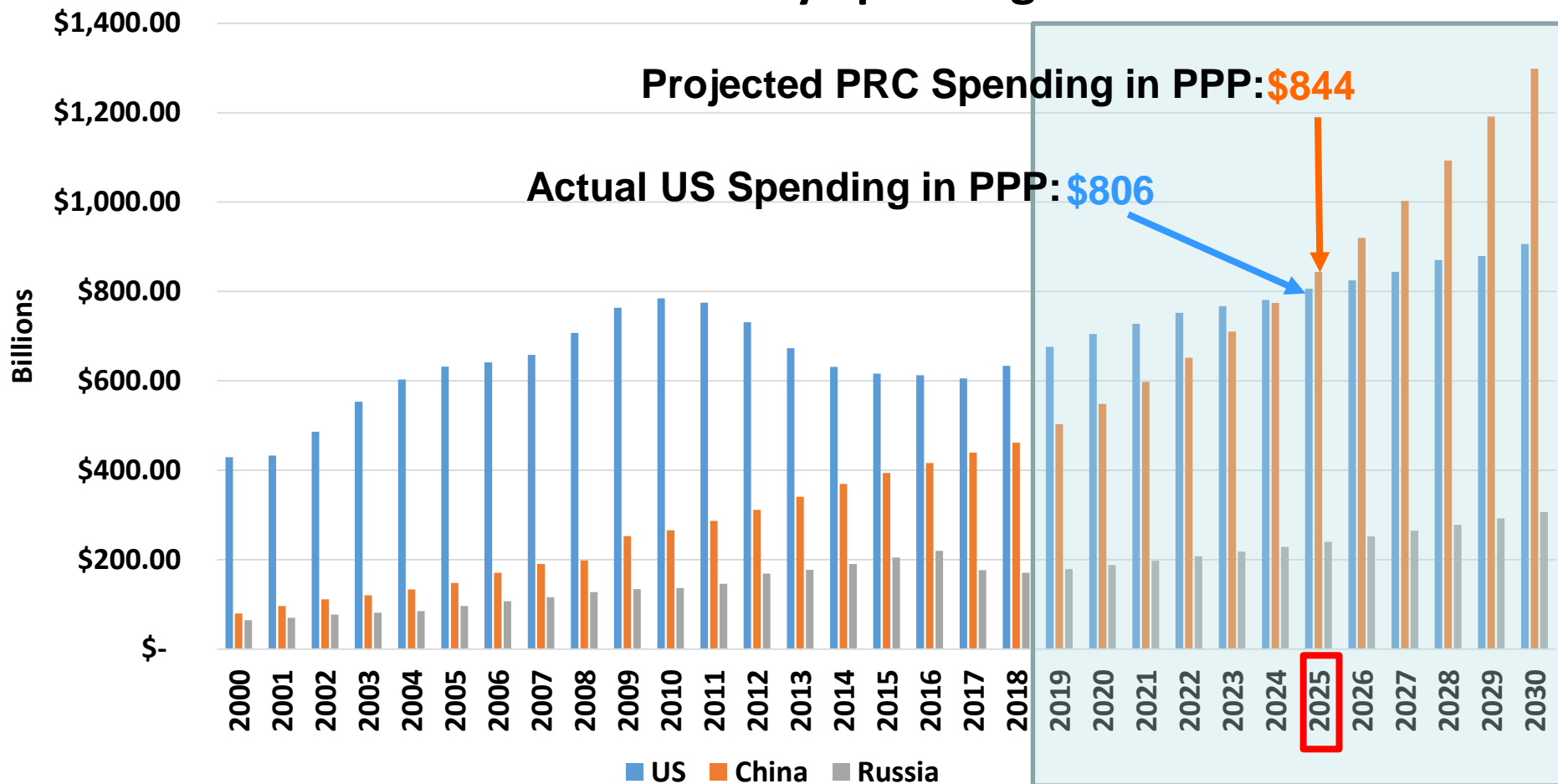
Global Challenges: Economic Dominance

China is set to pass the U.S. in GDP growth within the next decade



Global Challenges: Military Dominance

Great Power Military Spending in PPP

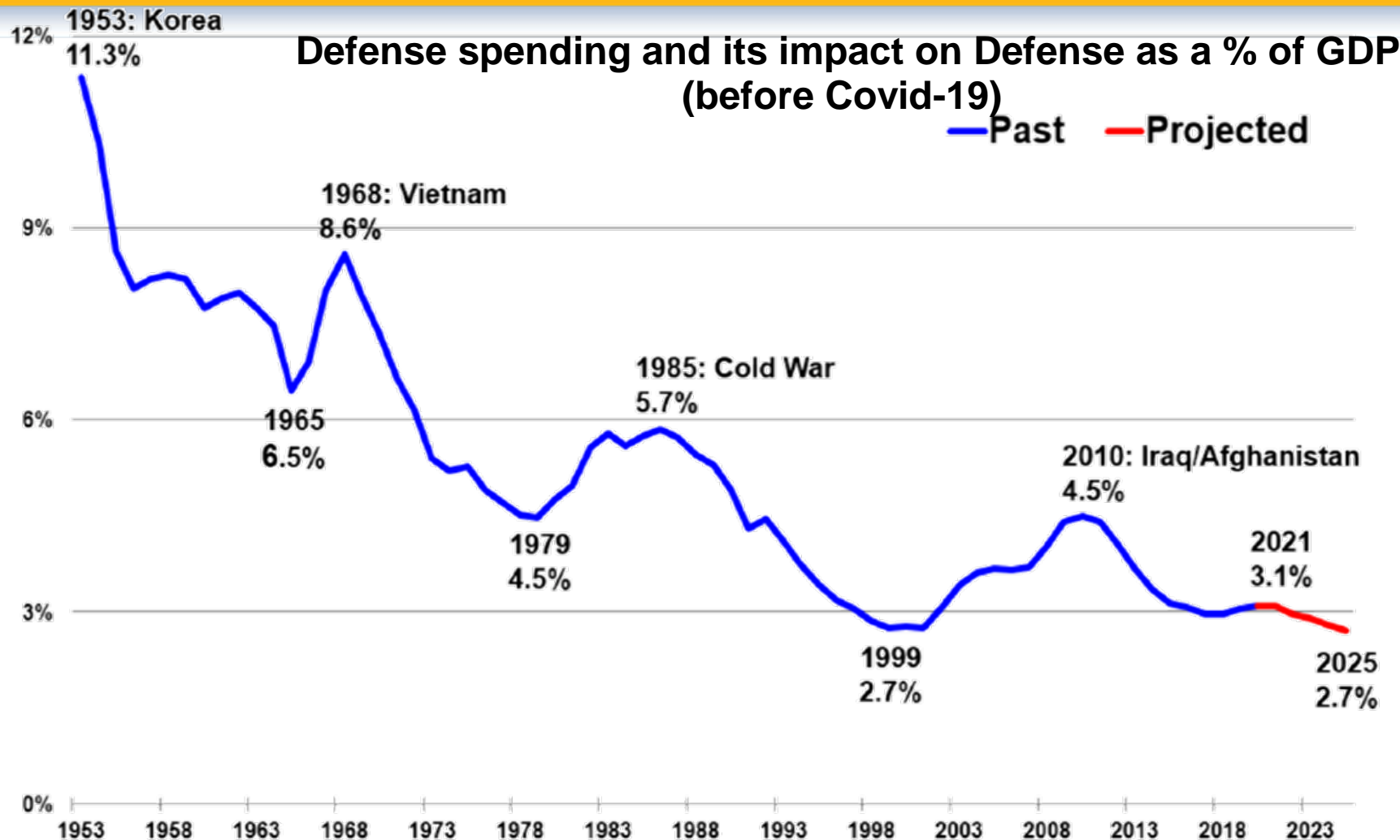


If China continues to increase military spending at the same rate, China will pass the US in military spending PPP by 2025

Sources: DBB graphic <https://www.statista.com/statistics/217577/outlays-for-defense-and-forecast-in-the-us/> used to get US defense spending
<https://chinapower.csis.org/military-spending/> used to get an estimate of China and Russia defense spending SIPRI estimate in Nominal GDP
<http://statisticstimes.com/economy/gdp-nominal-vs-gdp-ppp.php> used to get the multipliers to convert Nominal GDP to PPP for each country



Domestic Challenges: DoD's % of GDP



Source: DoD spending as a percent of GDP compares DoD outlays, both discretionary and mandatory, from the National Defense Budget Estimates for FY 2020 (Table 7-7) and projected GDP from OMB's Economic Assumptions for the FY 2021 Budget.

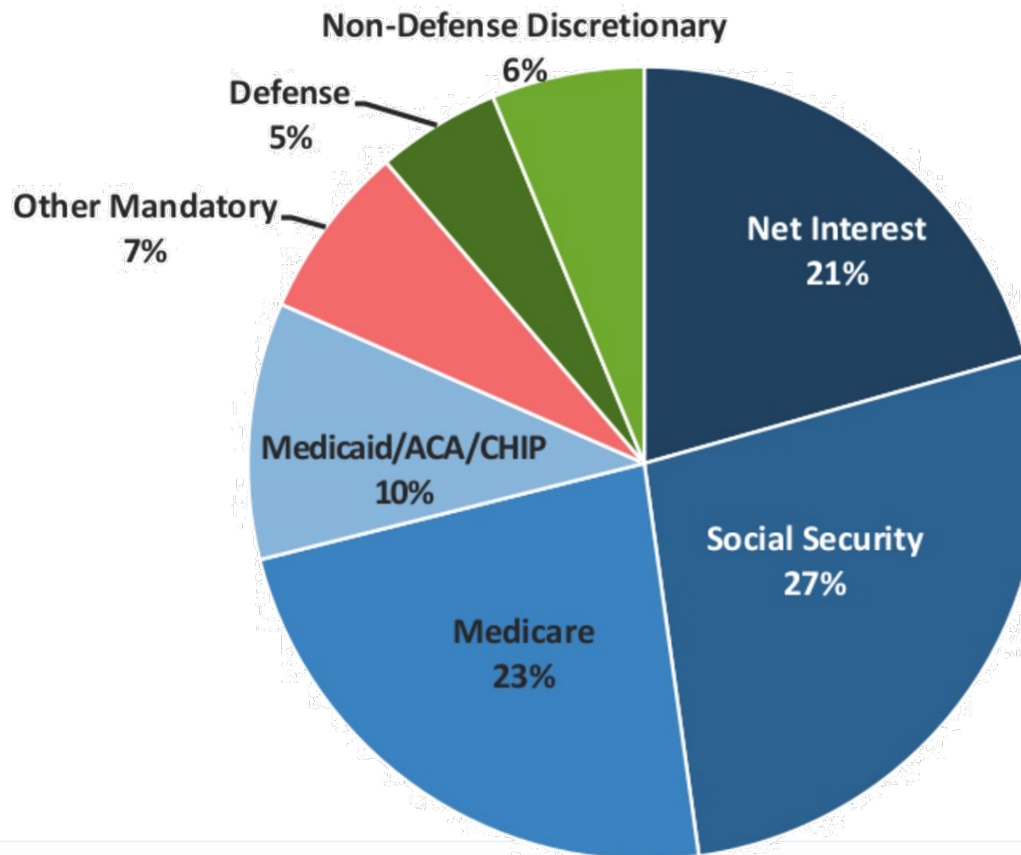
https://comptroller.defense.gov/Portals/45/Documents/defbudget/fy2021/fy2021_Budget_Request_Overview_Book.pdf



Domestic Challenges: Mandatory Spending

Social Security, Health Care, And Interest Explain 82% of Spending Growth

2018-2028 Spending Growth

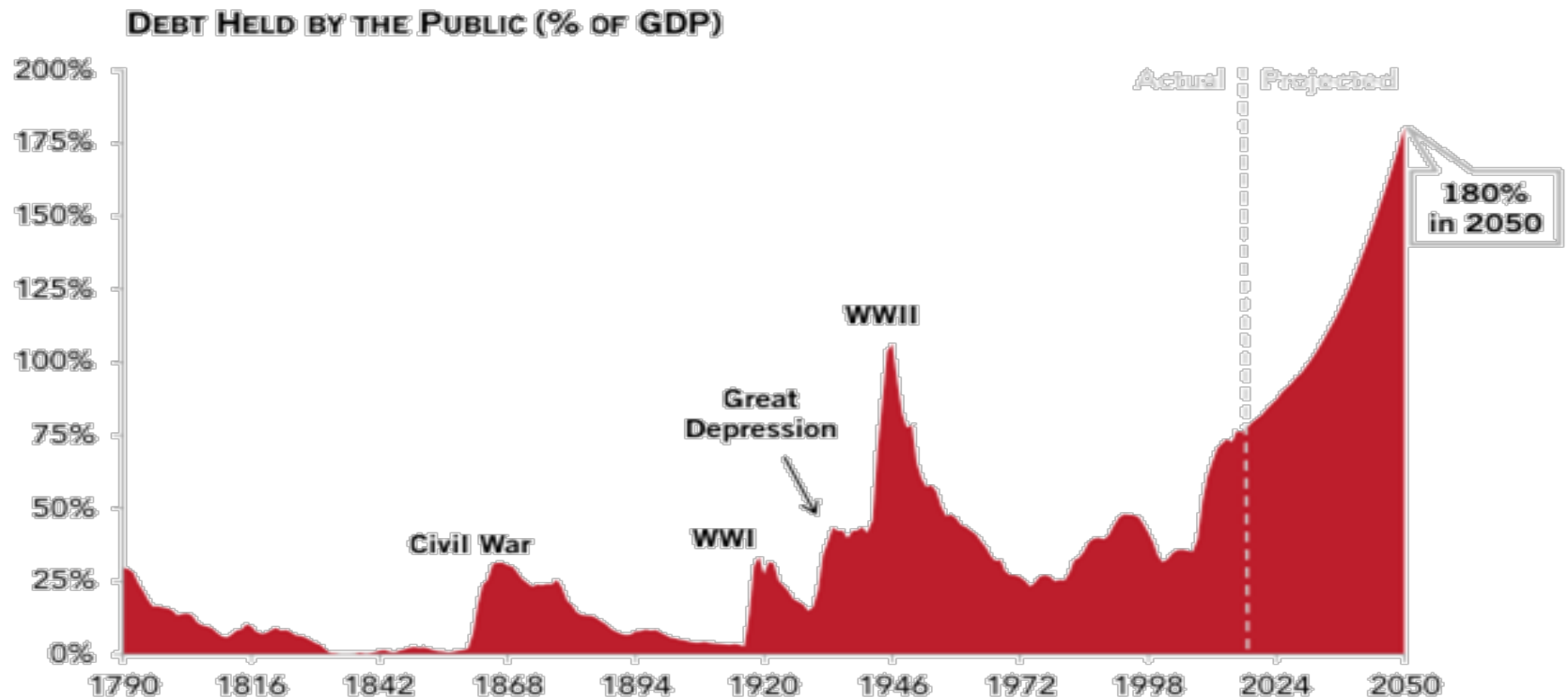


Source: Committee for a Responsible Federal Budget, <http://www.crfb.org/papers/chartbook-americas-budget-outlook/>



Domestic Challenges: Growing Fiscal Pressure

Congressional Budget Office (CBO) Projected Debt/GDP before Covid-19



SOURCES: Congressional Budget Office, *The Budget and Economic Outlook: 2020 to 2030*, January 2020; and Office of Management and Budget, *Historical Tables, Budget of the United States Government: Fiscal Year 2021*, February 2020.

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“Gentlemen, we are out of money; now we have to think.”

~ Sir Winston Churchill



Department Challenges: GAO High Risk List

2019 Open Issues

- DoD Weapon Systems Acquisition (1990)
- DoD Contract Management (1992)
- DoD Business Systems Modernization (1995)
- DoD Financial Management (1995)
- DoD Support Infrastructure Management (1997)
- DoD Approach to Business Transformation (2005)

2019 Government Wide

- Government-wide Personnel Security Clearance Process
- Ensuring the Cybersecurity of the Nation
- Ensuring the Effective Protection of Technologies Critical to U.S. National Security Interests
- Strategic Human Capital Management
- Improving the Management of IT Acquisitions and Operations
- U.S. Government Environmental Liability
- Improving and Modernizing Federal Disability Programs

2009 Open Issues

- DoD Weapon Systems Acquisition (1990)
- DoD Contract Management (1992)
- DoD Business Systems Modernization (1995)
- DoD Financial Management (1995)
- DoD Support Infrastructure Management (1997)
- DoD Approach to Business Transformation (2005)

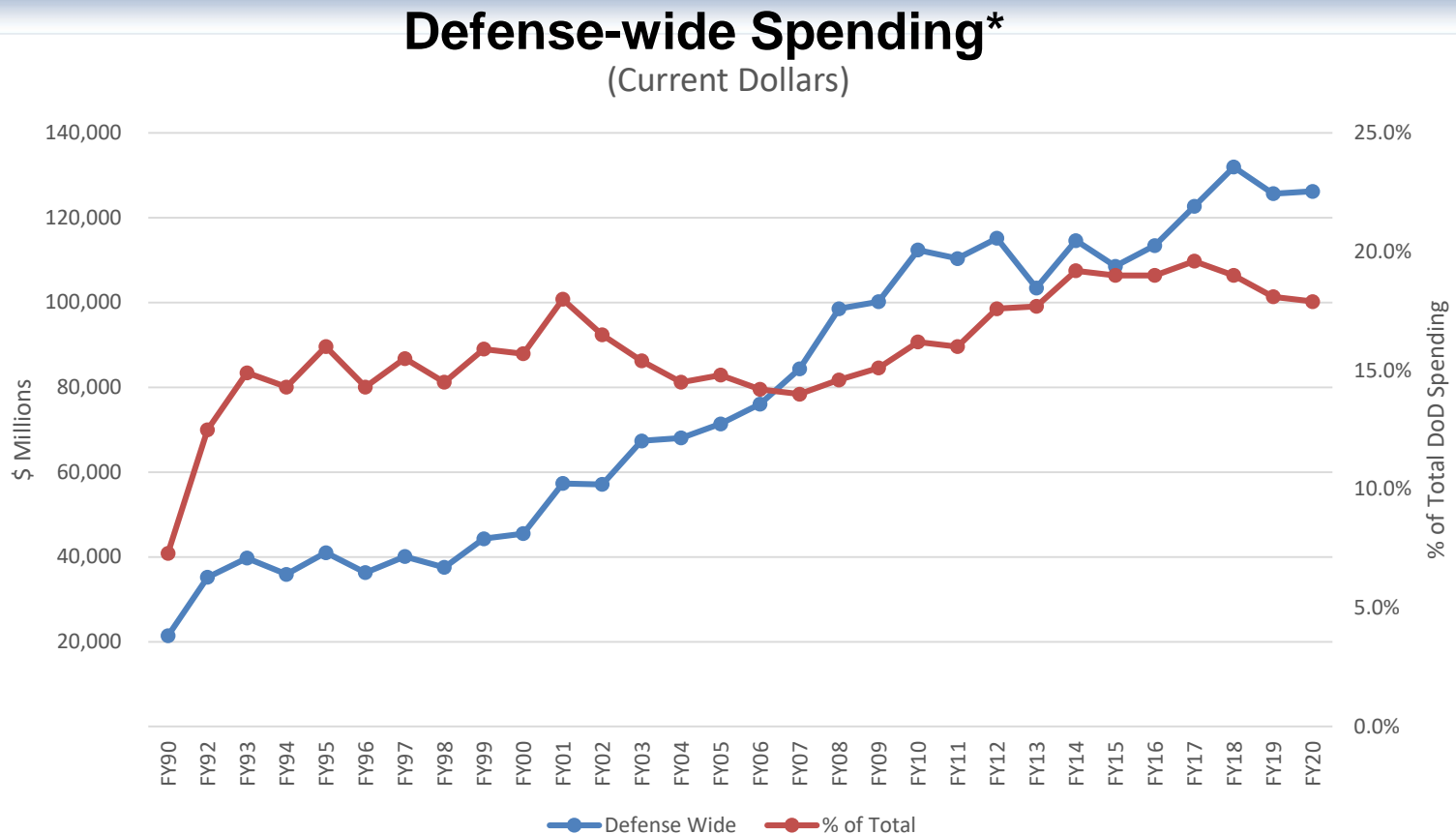
- DoD Personnel Security Clearance Program (2005) – *Closed*
- DoD Supply Chain Management (1990) – *Closed 2019*

<https://www.gao.gov/highrisk/overview>

<https://www.gao.gov/products/GAO-09-271>



Department Challenges: DW Spending



- Defense-wide spending has steadily increased over time
- Defense-wide spending as % of the total has increased from 7% to almost 20%
- There are good reasons for some increases, but this needs to be carefully reviewed as Secretary Esper has indicated

*Source: DBB graphic derived from data provided by OSD Comptroller to represent the "actuals" through 2019, and enacted in 2020.
Data is authoritative from the Comptroller budget database (Green Book data) – PRCP, CIS, & EFD

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Department Challenges: Infrastructure

- The Department has indicated total force infrastructure costs constitute 43.7% of the budget
- 43.7% applied to the total appropriated DoD discretionary funding of \$718B* for FY20 equals \$313.8B
- If \$313.8B was a GDP, it would be 56 on a list of rankings by country

Country Rankings by GDP (PPP)*		
Rank	Country	GDP (\$B)
54	Israel	317.1
55	Portugal	314.1
56	DoD Infrastructure	313.8
56	Greece	299.3
57	Morocco	298.6
58	Kuwait	289.7
59	Hungary	289.6
60	Denmark	287.8
61	Sri Lanka	275.8
62	Finland	244.9
63	Uzbekistan	223
64	Ethiopia	200.6

*Source: GDP from CIA World Fact Book estimates as of 2017
DoD infrastructure 43.7% of \$708B FY20 Discretionary Total

*Source: National Defense Budget Estimates for FY 2020 (Green Book), OUSD(C), May 2019, pg. 6



Defense Agencies and Field Activities

From 1958 to 2018 the number of DAFA grew from 2 to 28

DARPA	Defense Advanced Research Projects Agency
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCSA	Defense Counterintelligence and Security Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DLSA	Defense Legal Services Agency
DMA	Defense Media Activity (FA)
DoDEA	DoD Education Activity (FA)
DoDHRA	DoD Human Resources Activity (FA)
DPAA	Defense POW/MIA Accounting Agency
DSCA	Defense Security Cooperation Agency
DTIC	Defense Technical Information Center (FA)
DTRA	Defense Threat Reduction Agency
DTSA	Defense Technology Security Administration
MDA	Missile Defense Agency
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NSA/CSS	National Security Agency/Central Security Service
OEA	Office of Economic Adjustment (FA)
PFPA	Pentagon Force Protection Agency (FA)
SDA	Space Development Agency
TRMC	DoD Test Resource Management Center (FA)
WHS	Washington Headquarters Services (FA)

Secretary Esper has correctly focused the Department on improved management and reduced costs of the DAFA

In FY19, Defense Agencies and Field Activities accounted for \$115.5B* of the spend by year-end.

1952 1958 1960 1961 1965 1971 1972 1977 1978 1981 1984 1990 1992 1996 1998 2000 2001 2002 2004 2008 2013 2015 2018

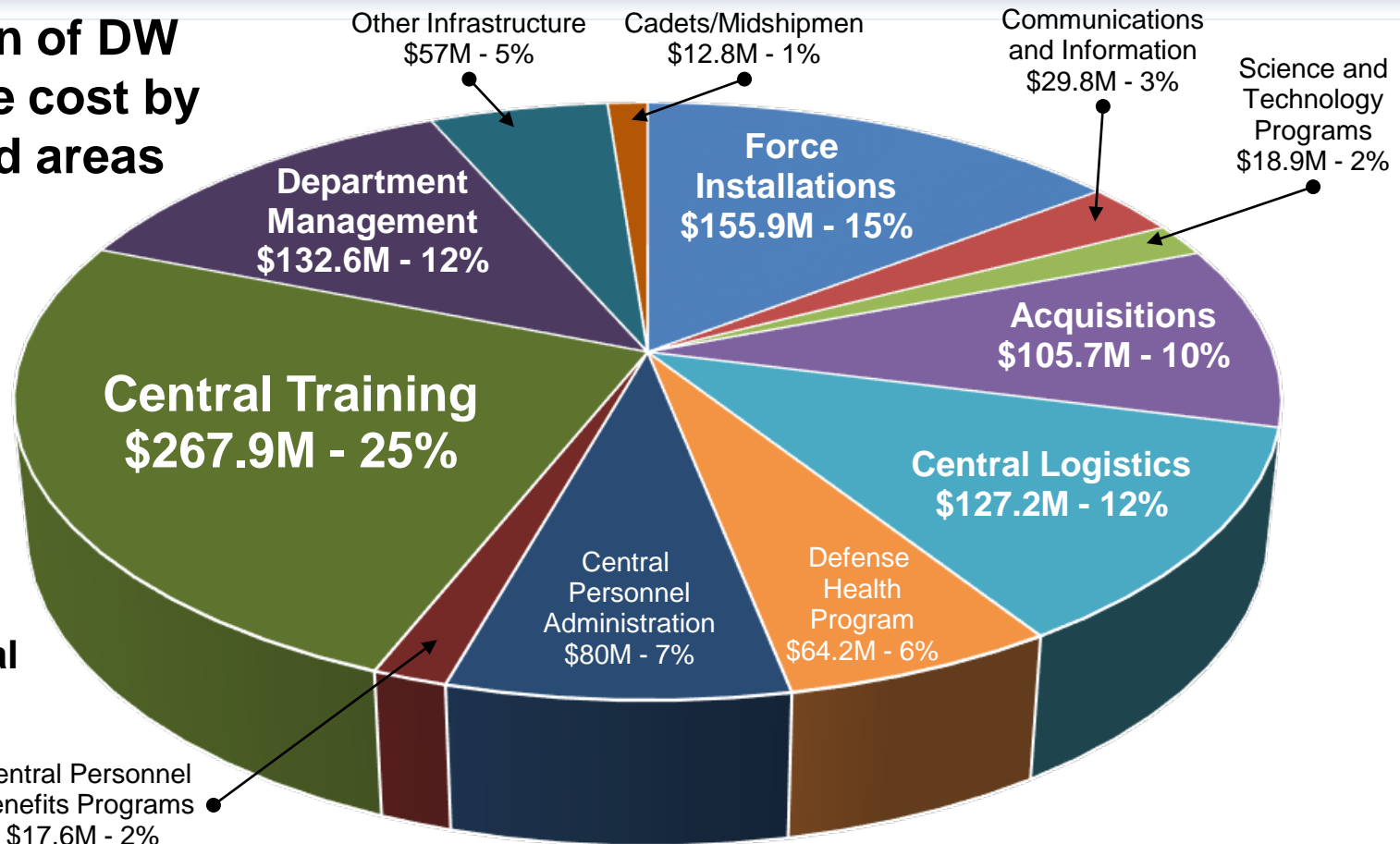
*DoD ADVANA data analytics FY19 WCF data – OSD Comptroller DW budget analysts, FY19 Budget OP-5

Approved by DBB - 6 May 2020



Department Challenges: DW Infrastructure

A breakdown of DW infrastructure cost by major spend areas



The largest category of infrastructure aligns with Central Training at 25%

Force Installations at 15%, Departmental Management and Central Logistics at 12%, and Acquisition at 10% total another 49%

A variety of smaller categories range in size from 1% to 7% of the total

Source: Derived using the FY2020 DMRR and several DW budget exhibits using O&M, RDT&E, and Procurement data.

Note: There is not a one-to-one relationship between each entity's budget category

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Governance: The Problem

Since 2018, SD-level time and focus on strategy implementation has increased and evolved into a stable battle rhythm through the SD Weekly Priorities Review (SWPR) and NDS-I:

- At DSD-level, Deputy's Management Action Group (DMAG) remains primary management and resource allocation integration body
- At Chairman of the Joint Chiefs of Staff (CJCS) level, the Tank remains primary forum to integrate "best military advice" on matters related to the Joint Force

Below SD, DSD, and CJCS-levels, however, there are a large number of governance bodies and supporting tiers:

- Significant time and effort is required by these bodies
- Most pre-date the NDS - optimized to GWOT and pre-BCA ... not China
- DoDD 5105.79 "Senior Governance Councils" last updated 2008

Multiple guidance documents complicate governance:

- Relationship between governance bodies, major processes, and guidance documents is unclear, often in competition, and always evolving
- Staffing time associated with guidance documents is significant

Should the existing governance system be updated to maximize implementation of the NDS?

Particularly in regards to near peer competition with China?

Governance: Quick Facts

Total Number of Governance Bodies: 50+

- SD, DSD, or CJCS-level: 5+
- PSA or 4-star: 26+
- CFT or TF: 17+

Total Hours/Year (est.): >1K+

Average Date of Establishment: ~2009

Guidance Docs: Quick Facts

NSS + NOS + NMS + UCP + CPG +

DPG + JSCP = 1K+ pgs

- DoDDs: 309
- DTMs: 31
- DoDIs: 872
- CJCSIs: 180
- Specified tasks to CCMDs: 10K+
- Totals: ~2K docs. 50 million+ words



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DBB Assessment
per
FY2020 NDAA § 904

DBB Assessment Principles

The DBB assessment of the 6 statutory requirements was undertaken with the following filters and principles:

The assessments in regards to effectiveness since 2008 only focuses on the performance of the DCMO and CMO as an organizational entity, not as a critique or appraisal of any administration or appointee.

- Use of the term CMO/DCMO throughout refers only to the PSA position, not to any specific individual

The office and organization would be reviewed since its inception in 2008 as the DCMO, taking into account that over time, the Congress and the DoD have both made major changes to the position, its authorities, and its responsibilities.

The statutorily required perspectives of the Under Secretaries of the military departments and observations of the Comptroller General would not be filtered and are presented as provided to the DBB Task Force.

The appraisal of how the organizational culture of the DoD impacts the decision-making process and enterprise-wide transformation efforts would reflect the views of those interviewed.

The best practices in the private sector and the public sector applicable to DoD would be identified and used as a comparison guide.

For purposes of assessing CMO transformation efforts the following definition was used: Making major enduring changes in the size, structure, policies, processes, practices, and technologies to improve the economy, efficiency, and effectiveness of an organization. Transformation goes far beyond traditional cost cutting exercises. While it is much more difficult to achieve, it can result in much larger reductions in costs and improvements in effectiveness over time that can be used to enhance readiness.

Transformation within DoD includes many actions, including addressing the many High Risk areas on GAO's list, reducing the tail (overhead) in order to sharpen the tooth (readiness), rationalizing the workforce mix (e.g., active duty military and reserve components, civilian, and contractor use), and restructuring/rightsizing the Fourth Estate.

The Task Force would also address any other matters it deemed necessary for the Secretary's determination.



6 Tasks Enumerated in § 904

The DBB broke each assessment conducted, pursuant to the subsection, into the six specific statutory tasks:

- **Task 1:** The extent to which the **position has been effective** in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.
- **Task 2:** The **perspectives of the Under Secretaries of the military departments** on the matters described in paragraph (1) based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.
- **Task 3:** The extent to which the **ingrained organizational culture** of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.
- **Task 4:** The **observations of the Comptroller General** of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.
- **Task 5:** An identification and comparison of **best practices in the private sector and the public sector** for the responsibilities and authorities of a Chief Management Officer.
- **Task 6:** An identification and assessment of **differences in responsibilities and authorities** of the Chief Management Office of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.



DBB Assessment Methodology

Conducted nearly 90 semi-structured interviews* of individuals with senior government and executive managerial experience (reflecting a collective experience of over 3,000 years) using pre-determined questions based on the § 904 task

- More than 40 current and former Presidentially appointed, Senate confirmed (PAS) leaders to include former SDs, DSDs, and other senior officials in DoD and Federal agencies
- Current general and flag officers serving in key DoD positions
- Over 20 current and former senior DoD officials, career SES, and mid-career leaders
- Key leaders in the defense industry and operations
- Subject Matter Experts in organizational management constructs
- Leaders in federal cabinet agencies
- Leaders of foreign national defense organizations
- Congressional leaders and key staff
- Senior leaders from non-federal public and private sector organizations

Conducted analysis focused on:

- Analysis of the statutory responsibilities and authorities of the CMO
- Reviews of DCMO/CMO led transformation efforts since 2008
- Evaluations of prior studies and reports regarding the CMO, DoD organizational structure and industry best practices
- The 6 assessments required by § 904
- Transformation efforts and successes/failures since 2008
 - Current state of OCMO performance metrics
 - Past ODCMO and OCMO performance evaluations
- Evaluations of prior studies and reports regarding the CMO, DoD organizational structure and industry best practices (from 1985 to the present)

* As per longstanding DBB practice, all interviews were conducted under the Chatham House Rule (CHR) - "When a meeting, or part thereof, is held under the CHR, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor the participant, may be revealed."



DBB Assessment Methodology

To perform the assessment, the DBB:

- Utilized a questionnaire, designed by the DBB, for the conduct of the interviews internal and external to DoD
- Studied statutes and conference reports which directly impact the DSD, CMO/DCMO and other PSAs within the Department (Titles 5, 10, 31, 40, etc.)
- Utilized the assessments in relevant GAO reports regarding the management of the Department with highlights and major themes identified
- Conducted research in the germane literature from think-tanks, CBO, Office of Management and Budget (OMB), Federally Funded Research and Development Centers (FFRDC), and DBB studies
- Examined the history/evolution of CMO/DCMO (including personnel size and cost)
- Researched and analyzed data for Defense-wide activities: budgets and cost, growth trends, organization and personnel of subordinate organizations (i.e. WHS, PFPA, etc.) over the past 12 years
- Considered how other organizations in government perform this management function and developed lessons learned
- Examined the division of responsibility between SD, DSD, and CMO over past 12 years
- Examined the OCMO internal self-assessments of performance, as well as other assessments of the organization's performance
- Examined previous studies published that examine the management and the business transformation of the Department
- Considered how OCMO is approaching the recent SD's 6 Jan memo on the Defense-wide review, together with the DSD's 24 January implementation memo, and the impacts to the CMO



Statutory Task 1: CMO Effectiveness

“The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in § 132a of Title 10, United States Code.”

Per the collective judgement of the individuals interviewed, the GAO and the Comptroller General, PSAs, members of the Joint Staff and MilDeps, and assessments drawn from examining literature and data research conducted, the overall conclusion is the CMO position and the organization has been mostly ineffective in exercising its various statutory authorities and responsibilities

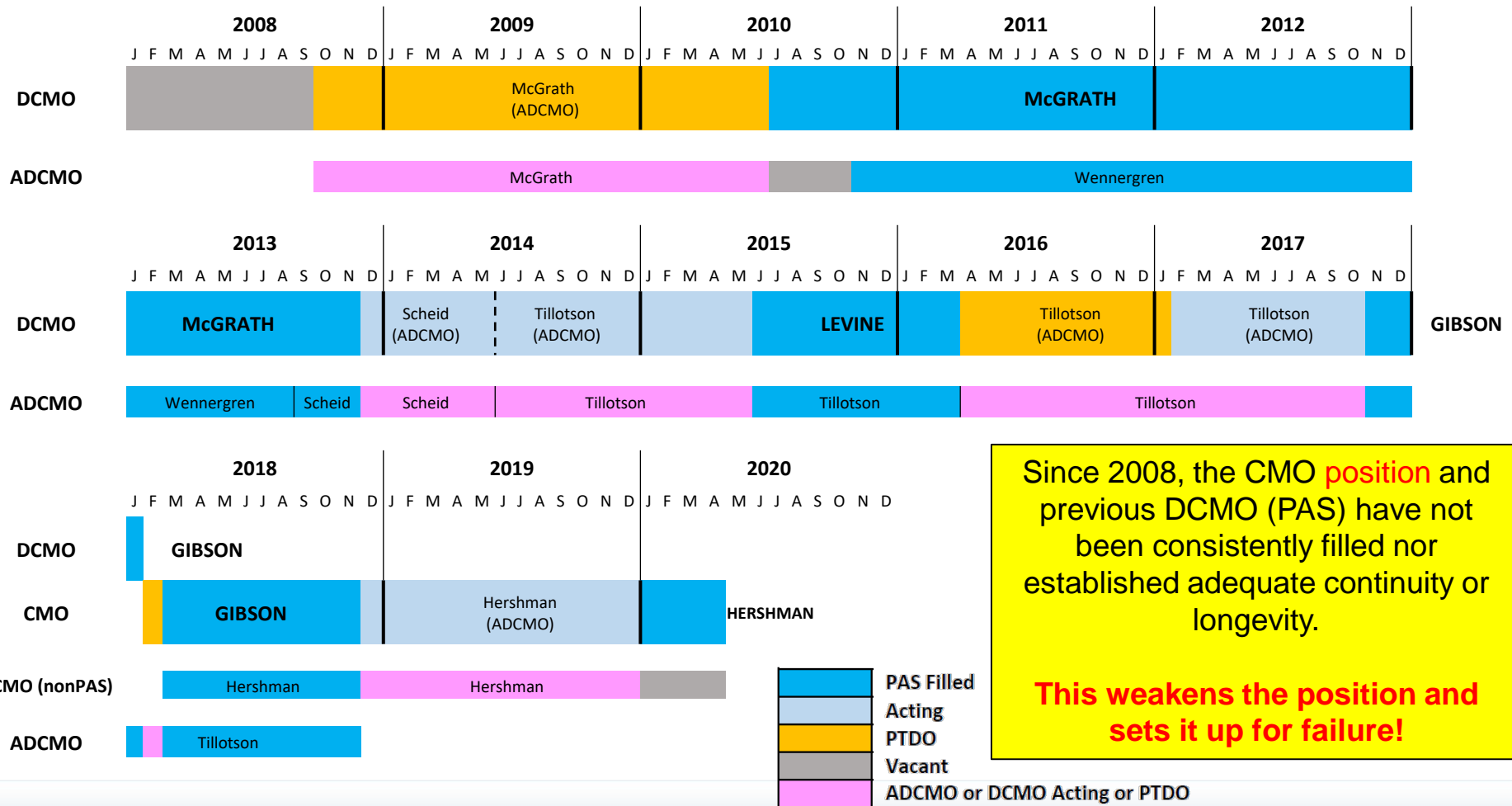
Title 10 § 132a(b) Requirements	Results
Manage DoDs Enterprise Business Operations/Shared Services	Yellow
Establish policies for and direct all Enterprise Business Operations for DoD	Red
Exercise authority, direction, control for DAFA for shared business services and budget review	Red
Direct MilDeps for Enterprise Business Operations	Red
Minimize the duplication of efforts and maximize efficiency and effectiveness	Red
Establish metrics for performance among/for all organizations/elements of the Department	Red
Review, assess, certify, and report on DAFA budgets	Red
Overall Effectiveness	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective



Statutory Task 1: CMO Effectiveness

Since it's creation in 2008, the position has been filled only 45% of the time by a PAS
This directly reduces its authority, effectiveness, and influence within the Pentagon



Since 2008, the CMO position and previous DCMO (PAS) have not been consistently filled nor established adequate continuity or longevity.

This weakens the position and sets it up for failure!



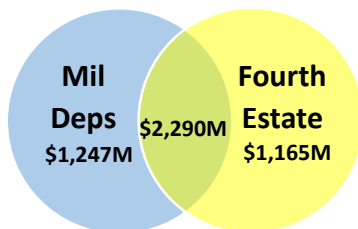
Statutory Task 1: CMO Effectiveness

DoD has not had true transformation of major business processes in decades. While the OCMO has identified savings, they have not been transformational

The following is an assessment of the recent effectiveness of OCMO:

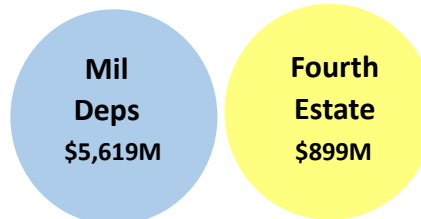
- The OCMO is collecting data and budget trimming; **this is not performing business transformation**
- There has been **no transformational change** in regards to business transformation
- The **savings are more opportunistic** rather than conforming to an ongoing transformation strategy
- Since 2017 “savings” identified by OCMO in various Department documents **derive mostly from MilDep reduction efforts**, and other activities, not from those related to the responsibilities of the OCMO
- The FY17, 18, 19, and 20 Fourth Estate savings occurred prior to the CMO’s Fourth Estate oversight charge in the SD’s January 6, 2020 memo

Budgeted/Programmed Reforms
FY2017 and FY2018



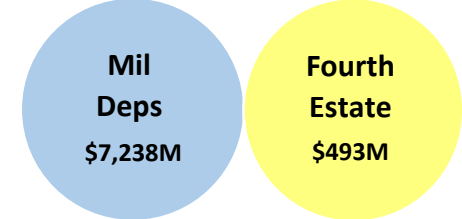
Total: \$4,702M

Budgeted/Programmed Reforms
FY2019



Total: \$6,518M

Budgeted/Programmed Reforms
FY2020



Total: \$7,731M



Statutory Task 2: MilDep CMO Perspectives

“The perspectives of the Under Secretaries of the military departments...”

The MilDep CMOs have a low opinion of the DoD CMO position, believing it “hinders their mission” and offers “no added value”

MilDep CMOs **believe the DoD CMO is mostly ineffective** due to:

- It does not control people, budgets, and data (as the MilDep CMOs do)
- It is not well integrated in the chain of command's decision-making processes or fora (unlike MilDep CMOs)
- There is overlap and confusion between DoD CMO and DSD/COO authorities and responsibilities (MilDep CMOs authority derives directly from the Service Secretary)
- OCMO is given no clear ownership and accountability (as MilDep CMOs are), and lacks a chartering document
- The CMO is the only PSA who has by statute a bifurcated reporting chain in that the office reports to both SD and DSD (MilDep CMOs report directly to the Service Secretary)
- It lacks the necessary OCMO personnel with the required skillsets and resources assigned to implement and effect transformational change
- Past appointments did not have both adequate Pentagon related understanding and large corporation management experience **focused explicitly on enterprise-wide business transformation**



Statutory Task 3: Organizational Culture

“The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges...”

DoD’s organizational culture poses significant obstacles to effecting serious enterprise-wide transformational change in DoD

Interviews conducted by the Task Force revealed that a majority of senior individuals believe that DoD’s culture is a significant obstacle to change of any sort, more so for effecting transformational change. Some specific observations noted were:

- The DoD enterprise today **overwhelmingly recognizes the DSD as the arbiter in this area** – not the CMO – due to the DSD’s control of budget and people and adjudicating enterprise-wide trade-offs
 - Because the CMO does not have this deal-making ability, its authorities are diminished and the role’s effectiveness is hindered
 - Several of those interviewed referred to this as a culturally accepted practice of horse trading
- **DoD consists of numerous sub-cultural groups each** possessing strong individual cultures. Employees of these organizations identify more with the sub-group than the overall DoD organization, often making decisions based on the interests or outcomes that favor their organizations rather than the good of DoD as a whole
 - DoD culture “ignores” or “waits out” transformational or budgetary changes that may negatively affect one’s position or organization
- MilDep/DAFA leaders often choose to **not fully comply with transformative efforts***, as the CMO has no leverage to compel their compliance or sometimes even their participation. Only the DSD can create compliance in reform for considerations elsewhere

* DoD leaders cannot recall significant repercussions upon Services/Agencies who choose not to recognize the authorities of the CMO



Statutory Task 3: Organizational Culture

In assessing the interviews, literature review, and Congressional documents, common themes were noted:

- Not all DoD leaders **since 2008 have set clear transformation goals** for the enterprise
 - Recent exceptions being Secretary Mattis and Secretary Esper who both prioritize reform
- There are **two overarching and distinct high-level “cultures” within DoD**: Mission and Mission Support
 - **Mission** focused cultures are focused on results, and Department-wide do a very good job of it while stopping short of any changes that threaten the organization
 - **Mission Support** cultures are too focused on process adherence and values consensus, not results; which in turn delivers suboptimal outcomes
- DoD **does not adequately develop or reward its work force** for Enterprise Business Operations or develop and promote its civilian force in a way that supports those operations
- DoD employees are “protected” and **very difficult to remove**. In the Private Sector, poor performance and/or non-compliance with corporate objectives most often results in termination
- Within government writ large, **political appointees are looked upon as “temporary help”** (median service for a PAS in DoD is 18-24 months)
- **Organization performance standards are not consistent**; too broad or vague; there is a lack of meaningful, outcome-based quantifiable metrics **that are tracked and enforced**



Statutory Task 4: Observations of the Comptroller General

“The observations of the Comptroller General of the United States on progress and challenges...”

The Comptroller General considers the CMO position to be mostly ineffective – even as the #3 official in DoD

- The Comptroller General noted that the GAO high risk areas for DoD identified in 2008 have increased, not decreased
 - DoD itself has 6 High Risk areas and shares 7 others with other federal agencies (**13 out of 35**)
 - DoD has not effectively implemented the necessary steps to mitigate or resolve high risk deficiencies
- Assumed that the CMO was intended to drive strategy and partnership and enable plans to address 13 of the 34 high risk areas
- Observed that the CMO still not codified through a charter (DoD issuance). DoDD 5105.82, “Deputy Chief Management Officer (DCMO) of the Department of Defense”, was signed October 17, 2008; yet not updated since, despite legislative changes
- Believed using the title “CMO” does not overcome the DoD’s cultural title authority barrier; titles have meaning in the Department's cultural milieu **and “CMO” lacks a generally accepted meaning**
- Recommend DoD establish integration and transformation structures



Statutory Task 4: Observations of the Comptroller General

GAO Standard for CMO Implementation	DoD Status	GAO Observations / GAO Recommendations
Define the specific roles and responsibilities of the COO/CMO position *	Red	CMO not codified in DoD issuance Create full-time, EX II position Deputy Secretary of Defense for Management.
Ensure that the COO/CMO has a high level of authority and clearly delineated reporting relationships	Red	As the #3 official in DoD, title "CMO" does not overcome the cultural title authority barrier EX II provides necessary institutional authority to overcome service parochialism
Foster good executive-level working relationships for maximum effectiveness between GAO and CMO	Yellow	CMO / GAO coordination is poor at the senior executive leadership level, remains robust at AO level Nominee must meet statutory qualifications and have a pre-existing knowledge of the DoD. CMO should be in close/constant coordination with the GAO
Establish integration and transformation structures and processes in addition to the COO/CMO position	Yellow	DSD has authority to transform business operations, everyday demands make it difficult to provide the necessary focus required for business transformation Divide current functions of DSD into Enterprise Transformation, and a DSD for Management. Focus CMO responsibility on business transformation effort, serving full-time as the strategic integrator of DOD's business transformation efforts. CMO should have direct authorization to direct Fourth Estate
Promote individual accountability and performance through specific job qualifications and effective performance management	Yellow	Nominee must meet statutory qualifications for the position, must have existing knowledge of DoD and culture Establish consistent performance measures. Develop an integrated plan to elevate, integrate, and institutionalize the high-level attention essential
Provide for continuity of leadership in the COO/CMO position	Red	CMO position does not have a required term of appointment to sustain progress across administrations Roles and responsibilities of CMO should be clearly defined, have a term of office that spans administrations such as 5-7 years

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective



Statutory Task 4 : GAO Report Themes

- DoD has been largely ineffective towards implementing the CMO's authority to direct the military departments on business operations [GAO 19-199]
- A CMO is needed in order to sustain progress on long-standing "DoD high risk series" issues [GAO 19-199 and GAO 19-157SP]
- The GAO found a lack of sustained leadership involvement in business transformation performance and mostly ineffective in achieving efficiencies in enterprise business operations [GAO 17-369 and GAO 17-317]



Statutory Task 5: Best practices

“An identification and comparison of best practices in the private sector and the public sector...”

CMO was designed to align with best practices in the Private/Public sector, *but in practice has not been able to accomplish it*

Alignment

- CMO's Mission
- CMO's Purpose/Tasks
- CMO Report-to

Private Sector: DoD design only aligns with concept and intent

Public Sector: DBB notes consolidated management offices across the USG, but GAO found federal agencies struggling to implement shared service consolidation best practices [GAO 19-94, 11]

Misalignment

- Lead/Manage Shared Service initiatives
- Benchmark industry/peer competition
- Establish and focus on a single data source
- Owns teams and budgets responsible for Shared Services / Outsourcing

**Do NOT align with private/
public best practices**



Statutory Task 5: Best practices in the private/public sector

Best Practice	Private*	Public*	DoD
Mission: Drive efficiencies and create new capabilities	Green	Yellow	Yellow
Focus: Lead shared service transformation	Green	Green	Red
Structure: Individual in “CMO” role reports to top executive	Green	Green	Yellow
Ownership: Control Shared Services and related capabilities	Green	Red	Red
Performance: Uses benchmarks against peer competitors to improve and enhance	Green	Red	Red
Data: Focus/Utilizes a single, reliable source for data	Green	Yellow	Yellow
Analytics: Ownership and leverage of data enterprise-wide	Green	Red	Red

- Mission
- Purpose/Tasks
- Report-to

Aligns with private best practices

- Lead/Manage Shared Service initiatives
- Benchmark industry/peer competition
- Estab. and focus on a single data source

Does **NOT** align with private best practices

Green	Mostly Effective Implementation
Yellow	Somewhat Effective Implementation
Red	Mostly Ineffective Implementation

*The DBB Task Force examined those Private/Public organizations which are considered to be the top performers in their respective business areas





Statutory Task 5: UK and AU CMOs



Transformation efforts in other military organizations [UK and Australia]:

- Both have established a high level position to focus on “business transformation” in recent years
- These positions report directly to the CEO equivalent position in their systems.
- These positions also have responsibility for selected mission support entities (e.g., Comptroller, Chief Information Officer (CIO), Personnel),
- These positions are filled with persons with both relevant experience and institutional knowledge
- Both appoint long term civil servants to manage Defense mission support areas as the preferable construct
- These CMO-type executives manage budget, investment, acquisition, IT, HR, logistics, and support
- Both countries recognized the need to have a top level executive focused on business transformation and both have implemented such a position in recent years

The DBB’s assessment took into account the scale of the two organizations in comparison to the DoD and America’s global commitments



Statutory Task 6: Responsibilities and Authorities

“An identification and assessment of differences in responsibilities and authorities...”

There is significant overlap and confusion across the Department on the role and responsibilities of the CMO versus the role of the DSD as the COO

- CMO does have the necessary **authorities in statute** to meet the requirements of § 132a; however, **the DoD has not codified the OCMO** responsibilities and authorities in a chartering document (DoD issuance). **This significantly diminishes its authority in the Pentagon hierarchy**
- CMO statutory authorities were found to **significantly overlap** those of DSD/COO, Service Secretaries, and PSAs. This poses an issue of “who’s in charge” and confuses the line of authority and responsibility
- Despite having the statutory authority to do so, **major enterprise-wide trade-off decisions are not made at the CMO level**
- These all contribute to the **CMO not being set up for success**



DBB Findings and Observations

In assessing the interviews conducted, literature reviewed, data analysis performed, and examination of Congressional statutes and intent, the DBB Task Force:

- Believes the CMO and the OCMO has, despite the intentions, **never been set up for success** and as a result has been **mostly ineffective** in achieving the objectives of enterprise-wide business transformation across the DoD or in executing its statutory responsibilities per § 132a
- Observes that the **OCMO organizational structure has been mostly ineffective** in exercising its authorities and responsibilities. Further, the officials appointed have not had the enterprise-wide business transformation experience coupled with extensive Pentagon experience. Additionally, staff assigned has not been well versed in business transformation implementation.
- Concurs with the MilDep CMOs that the CMO position, **as designed, has been mostly ineffective** due to its lack of clear authority, confusion about CMO's responsibilities, and lack of necessary staff with appropriate skills
- Considers DoD's **organizational culture is resistant to change, this poses significant obstacles** to effecting enterprise-wide transformational change
- Agrees with the Comptroller General that the **CMO position is mostly ineffective** and has not satisfactorily acted for 12 years in response to rectifying the items on the GAO high risk list
- Concludes that the CMO **does not align with Private/Public sector** best practices where applicable
- Concludes that there is **significant overlap and confusion** in the authorities and responsibilities of the CMO position with other officials; due largely to the lack of an official CMO charter, thereby even **further reducing its authority, influences, and effectiveness**
- Observed that there is **considerable misperception in the Department as to the definition of “transformational,”** finding it is used inconsistently, typically in reference to what are actually transactional activities



DBB Summary Assessment

6 Tasks Enumerated in § 904	Assessed to be:
Task 1: The extent to which the position has been effective in achieving the service, and exercising the powers and authorities, specified in § 132a of title 10, United States Code.	Red
Task 2: The perspectives of the Under Secretaries of the military departments on the matters described in Task 1 based on the experiences of such Under Secretaries as the Chief Management Officer of a military department.	Red
Task 3: The extent to which the ingrained organizational culture of the Department of Defense poses fundamental structural challenges for the position of Chief Management Officer of the Department, irrespective of the individual appointed to the position.	Red
Task 4: The observations of the Comptroller General of the United States on progress and challenges during the prior 10 years in the establishment of positions of Chief Management Officer in agencies throughout the Executive Branch, including in the Department of Defense and in other Federal agencies.	Red
Task 5: An identification and comparison of best practices in the private sector and the public sector for the responsibilities and authorities of a Chief Management Officer.	Red
Task 6: An identification and assessment of differences in responsibilities and authorities of the Chief Management Office of the Department, the Chief Operating Officer of the Department of Defense, and the Deputy Secretary of Defense.	Red
Overall Assessment of CMO Effectiveness	Red

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

DEFENSE BUSINESS BOARD



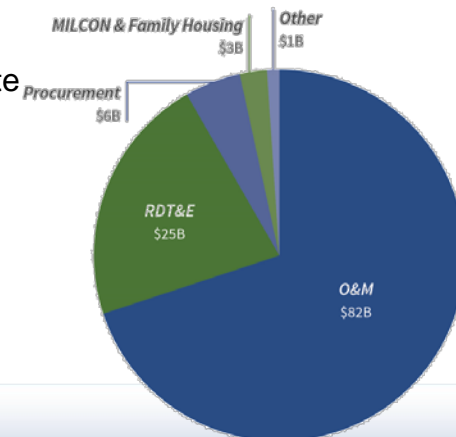
Defense Agencies,
DoD Field Activities,
and
Defense Working Capital Funds

DAFA Definitions and Assumptions

DAFA are a primary means of providing broadly centralized service support functions; however, the DoD also uses an array of other management arrangements

“Defense Agencies” and “DoD Field Activities” are terms found in § 191 of title 10, U.S.C., which states:

- These organizations are established by the Secretary of Defense to perform a supply or service activity common to more than one Military Service in a more effective, economical, or efficient manner
- Goldwater-Nichols established that each DAFA is overseen by a Principal Staff Assistant on behalf of the Secretary
- Validation processes are supposed to be deeply rooted in all aspects of the DoD's oversight of DAFA to ensure that their services and supplies could not be more efficiently provided by the Military Services or other sources
- DAFA are a subset of Defense-wide spending, a number of which are funded through Defense Working Capital Funds
- Defense-wide includes OSD, TJS, DAFA, USSOCOM, and the Fourth Estate
- In FY19, Defense-wide accounts spent \$117B, just over 16% of DoD's total budget of \$718B (including OCO and emergency funding)
 - However, there is significant cost associated with MilPers assigned to DW activities which is not reflected within those activity's budgets



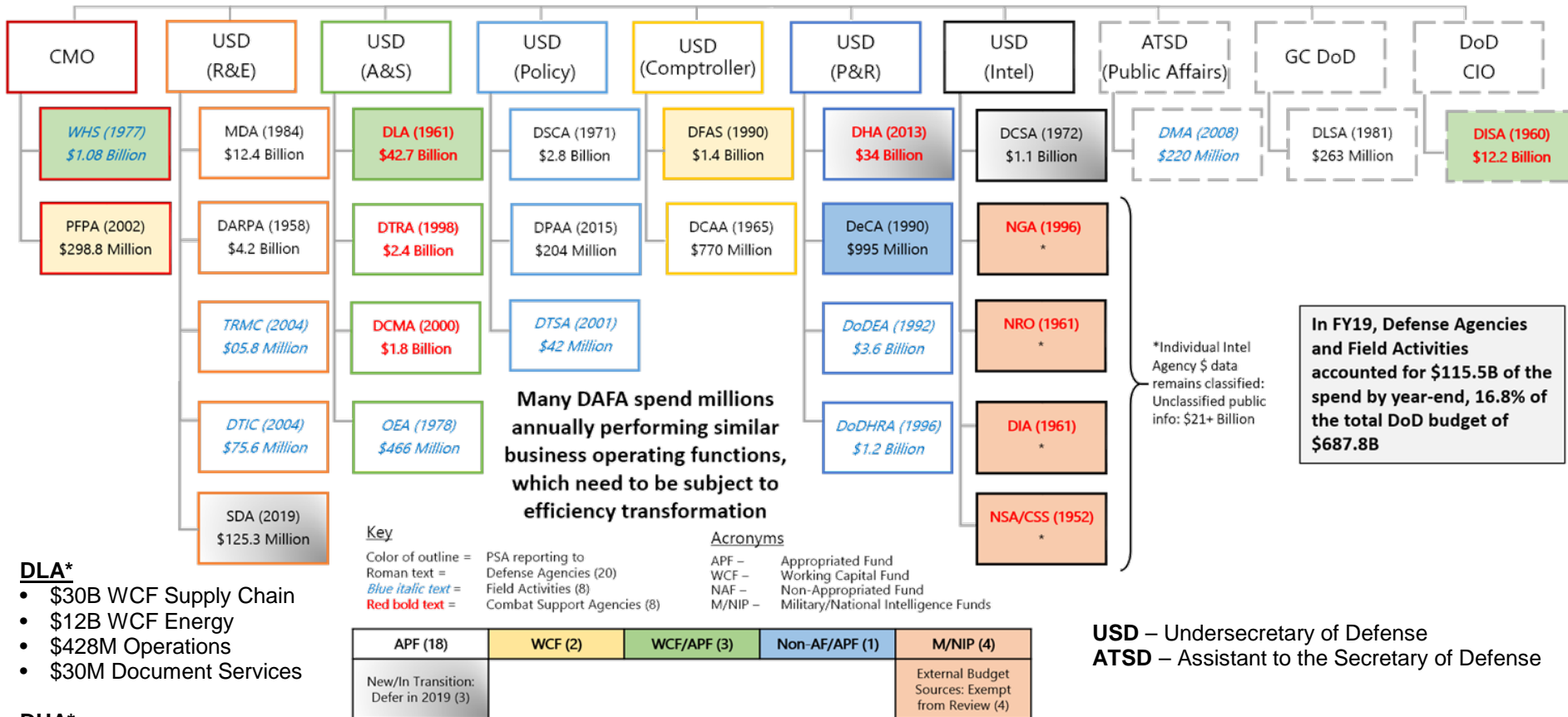
Source: DBB chart created with computations using the FY19 budget data



Current DAFA

28 DAFA (20 DAs and 8 FAs)

Current appropriated budget 'enacted' by the Congress for FY2020*



*DoD ADVANA data analytics FY20, pulled from OSD Comptroller budget systems / WCF data – OSD Comptroller DW budget analysts, FY2020 Budget OP-5

Chart from Organizational Policy and Decision Support, Office of the Chief Management Officer

Approved by DBB - 6 May 2020

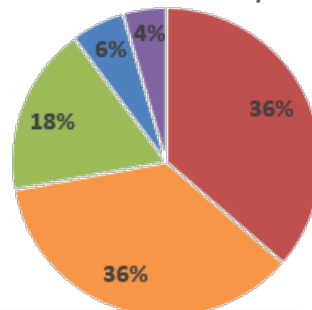


Defense-wide Cost for FY2020

DW Functional Categories* (FY 2020 \$B Discretionary Base)

Families & Benefits		Warfighting & Support		RDT&E		Policy & Oversight		Working Capital Funds	
DHP	\$33.2B	Classified	\$22.1B	MDA	\$9.4B	OSD O&M	\$1.7B	WCF - Appropriated	
DoDEA	\$3.1B	SOCOM	\$9.6B	OSD RDT&E	\$5.3B	DCMA	\$1.5B	DISA	\$3.6B
DECA	\$1.0B	DTRA	\$1.5B	DARPA	\$3.6B	TJS Ops	\$0.6B	DLA	\$1.2B
DHRA	\$0.9B	CBDP	\$1.4B	SDA	\$0.2B	DCAA	\$0.6B	Total	\$4.8B
CMP	\$0.2B	DCSA	\$1.1B	OTE	\$0.2B	DAU/DAWDF	\$0.6B	WCF - Revenue	
DPAA	\$0.1B	DSCA	\$0.8B	DTIC	\$0.1B	WHS	\$0.4B	DLA Supply	\$29.3B
OEA	\$0.1B	CN	\$0.8B	Total	\$18.8B	IG	\$0.4B	DLA Energy	\$12.1B
Total	\$38.6B	TJS CE2T2	\$0.7B			DMA	\$0.2B	DISA	\$7.9B
		Total	\$38B			DLSA	\$0.0B	DECA	\$5.9B
						CAAF	\$0.0B	DFAS	\$1.4B
						DTSA	\$0.0B	DLA Doc Svcs	\$0.4B
						Total	\$6B	Other	\$2.1B
								Total	\$59.1B

Percent of Discretionary Base



FY20 DW enactment of \$119.8B = 16.7% of the total DoD budget

Note: organizations aligned according to the preponderance of their activities.

*Acronym list on Slides 83-84

*Data analytics FY20, pulled from OSD Comptroller budget systems / WCF data – OSD Comptroller DW budget analysts, FY2020 Budget OP-5

Approved by DBB - 6 May 2020



Defense Agencies and Field Activities

From 1958 to 2018 the number of DAFA grew from 2 to 28

DARPA	Defense Advanced Research Projects Agency
DCAA	Defense Contract Audit Agency
DCMA	Defense Contract Management Agency
DCSA	Defense Counterintelligence and Security Agency
DeCA	Defense Commissary Agency
DFAS	Defense Finance and Accounting Service
DHA	Defense Health Agency
DIA	Defense Intelligence Agency
DISA	Defense Information Systems Agency
DLA	Defense Logistics Agency
DLSA	Defense Legal Services Agency
DMA	Defense Media Activity (FA)
DoDEA	DoD Education Activity (FA)
DoDHRA	DoD Human Resources Activity (FA)
DPAA	Defense POW/MIA Accounting Agency
DSCA	Defense Security Cooperation Agency
DTIC	Defense Technical Information Center (FA)
DTRA	Defense Threat Reduction Agency
DTSA	Defense Technology Security Administration
MDA	Missile Defense Agency
NGA	National Geospatial-Intelligence Agency
NRO	National Reconnaissance Office
NSA/CSS	National Security Agency/Central Security Service
OEA	Office of Economic Adjustment (FA)
PFPA	Pentagon Force Protection Agency (FA)
SDA	Space Development Agency
TRMC	DoD Test Resource Management Center (FA)
WHS	Washington Headquarters Services (FA)

Secretary Esper has correctly focused the Department on improved management and reduced costs of the DAFA

In FY19, Defense Agencies and Field Activities accounted for \$115.5B* of the spend by year-end.

1952 1958 1960 1961 1965 1971 1972 1977 1978 1981 1984 1990 1992 1996 1998 2000 2001 2002 2004 2008 2013 2015 2018

*DoD ADVANA data analytics FY19 WCF data – OSD Comptroller DW budget analysts, FY19 Budget OP-5



DAFA Are Big Business

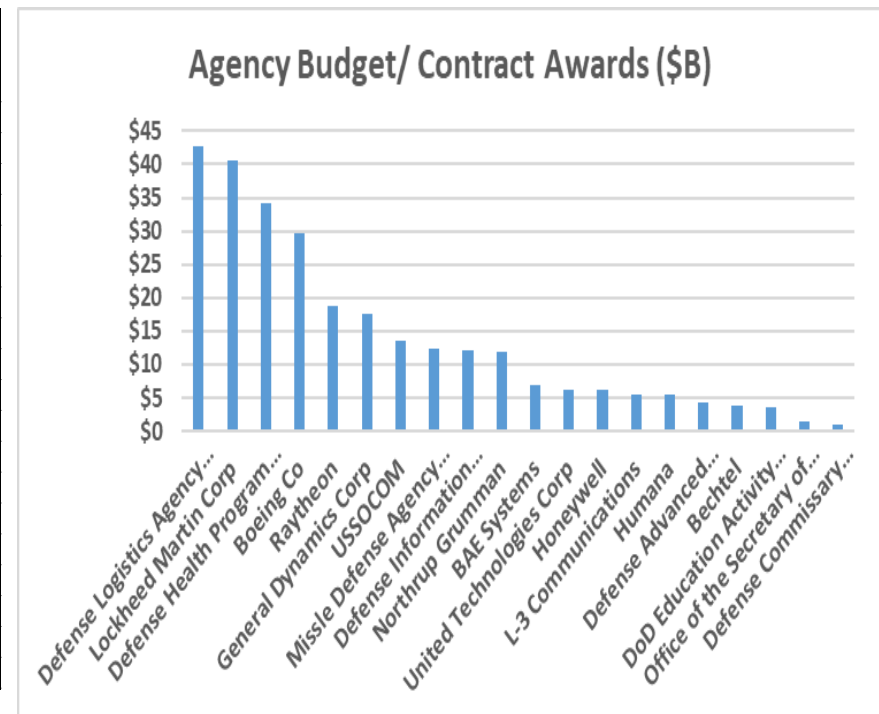
In comparing DAFA funding to the **top defense contractors**, **5 Defense Agencies** make up the top 10

- **9 DoD organizations place in the top 20** of the largest defense oriented organizations in the nation
- DLA's and DHP's annual operating budgets are in the same company as Lockheed Martin and Boeing
- The top 10 DAFA spend more than the 10 largest Defense contractors combined

(This does not include the large Intelligence agencies as budgets/personnel #s are classified data; however from unclassified data available, they would be included in the top 20 list, with some in the top 10)

Defense Agencies are Big Business		
Rank	Defense Agency/Defense Contractor	Agency Budget/ Contract Awards (\$B)
1	Defense Logistics Agency (DLA)	\$46.7
2	Defense Health Program (DHP)	\$34.0
3	Lockheed Martin Corp	\$33.6
4	Boeing Co	\$29.7
5	Raytheon	\$18.7
6	General Dynamics Corp	\$17.5
7	USSOCOM	\$13.6
8	Missile Defense Agency (MDA)	\$12.4
9	Defense Information Systems Agency (DISA)	\$12.2
10	Northrup Grumman	\$11.9
11	BAE Systems	\$6.8
12	United Technologies Corp	\$6.3
13	Honeywell	\$6.1
14	L-3 Communications	\$5.5
15	Humana	\$5.4
16	Defense Advanced Research Project Agency (DARPA)	\$4.2
17	Bechtel	\$3.8
18	DoD Education Activity (DoDEA)	\$3.6
19	Office of the Secretary of Defense	\$1.5
20	Defense Commissary Agency (DeCA)	\$1.0

Source: FY20 Presidents Budget Request, Federal Procurement Data System (FPDS)



Defense-wide communities shown above includes Working Capital Fund

Note: Contractor revenues are based on prime contract values, excluding subcontracts to other primes

Source: FY20 Presidents Budget Request, Federal Procurement Data System (FPDS)

Approved by DBB - 6 May 2020



DAFA Challenges

Problem: DoD lacks the integrated management structure, business systems, and financial controls to coherently manage and oversee the 28 DAFA to meet the priorities of Secretary Esper to promote effectiveness, efficiency, fiscal discipline, and adjust to near peer benchmarks

Challenges:

- Current **structures and authorities** are **insufficient and ambiguous**
 - OSD PSAs have specific authority, direction, and control (ADC) over their individual DAFA, but practically speaking, this ADC has not always been fully used because they are more focused on policy responsibilities. Further, they do not have the authority to make unilateral cross-DAFA decisions
 - CMO has statutory authority (132a) for the DAFA which provide enterprise shared services that has not been operationalized nor rationalized with the PSA's authorities
- CMO and PSAs **lack capacity, and in some cases competencies**, to substantively manage their responsibilities for the DAFA
- DAFA are not homogenous (ranging from operating a secondary school system to missile defense)
 - DAFA have diverse programming and budgeting requirements
 - DAFA have varied internal and external stakeholders/communities that must be considered (e.g., DNI, CJCS, Military Departments, CCMDs, Service members, Congress)
- There is **no structured process for assessing DAFA performance outside of PSA oversight**
 - No official or organization actively/continually reviews individual DAFA performance, or recommends appropriate programs for transfer, reductions, or termination
 - Absence of objective performance measures complicates comparisons/evaluations and cost reduction
 - Enterprise-wide DAFA performance metrics are not tied to associated resourcing
 - Competition for resourcing adjudication between DAFA must be decided by the DSD, who has multiple competing demands on his time

Need enhanced oversight over the DAFA to monitor, control, and check on growth, budgets, and people, as well as improve business processes

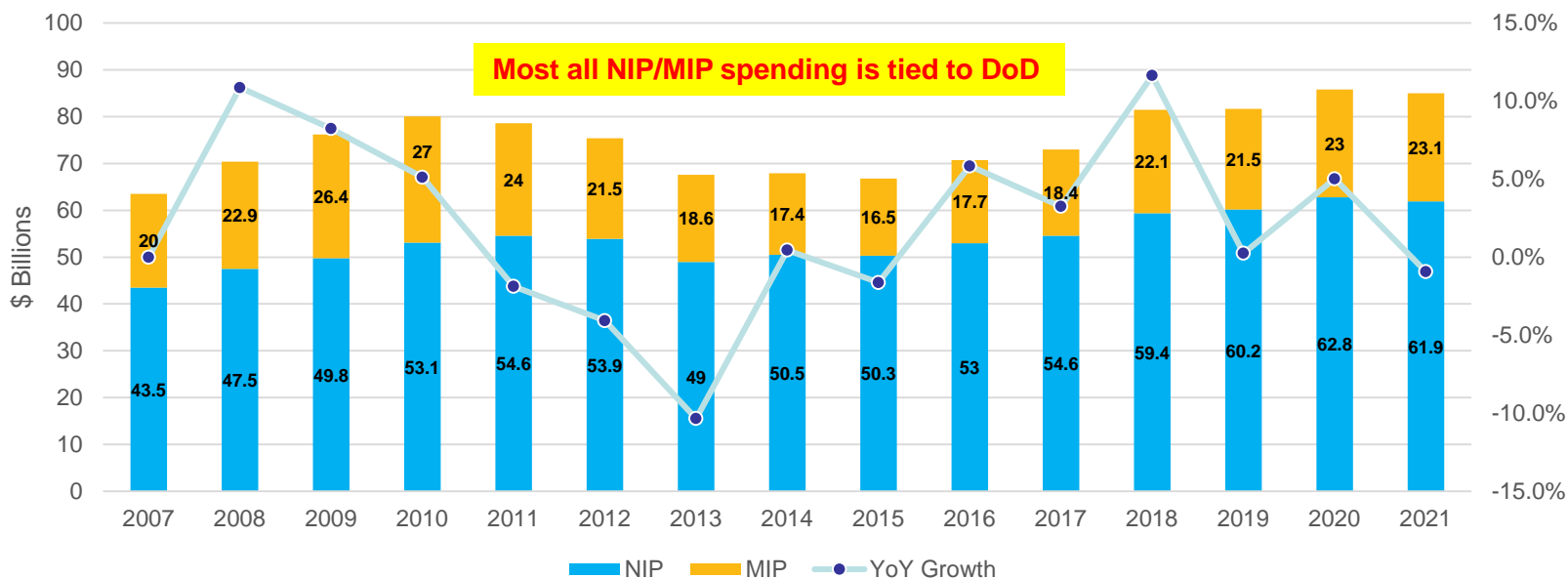


Intelligence Community Spending

IC spending (and personnel) is a significant amount of the DAFA/DW budgets, but most IC spending is veiled behind classification and are not counted in the unclassified budget totals. MilPers costs are not reflected in the budgets either

These are massive organizations in terms of people and money and should be subject to the same review of their business processes, but have been largely exempt from recent and past budget scrubs

Intelligence Program Funding Profile



- The FY21 unclassified requested levels have been posted and include \$61.9B for the National Intelligence Program and \$23.1B for the Military Intelligence Program. This is net decrease of -0.9% compared to FY20's reported levels
- The FY21 level is the first slight decline in intelligence funding since FY15. During that period, the net increase in funding was \$18.2B or 27.2%

Source: Reserve Forces Policy Board



DAFA: Management Issues

Some major considerations for DAFA management and DAFA wide spending:

Problem:

- DAFA and DW has grown considerably in costs, personnel, and scope.
 - DAFA in 2001 = 5% (\$18B) of the DoD budget (\$316B) / DAFA in 2020 = 30% of the DoD budget
 - 2 DAFA in 1958 / 28 DAFA by 2018 = 1400% growth

Challenges:

- Supervised by PSAs who are limited by tour time (24 months), time constraints, and sometimes experience
- Layers of management impair visibility unto DAFA operations
- The mainly business oriented DAFA are run by government personnel with limited experience in managing major business operations and have customer “Boards” which lack similar business expertise

Senior DOD leadership needs an effective and robust way to improve DAFA performance levels, create efficiencies, reduce costs, and establish benchmarks and outputs compared to China

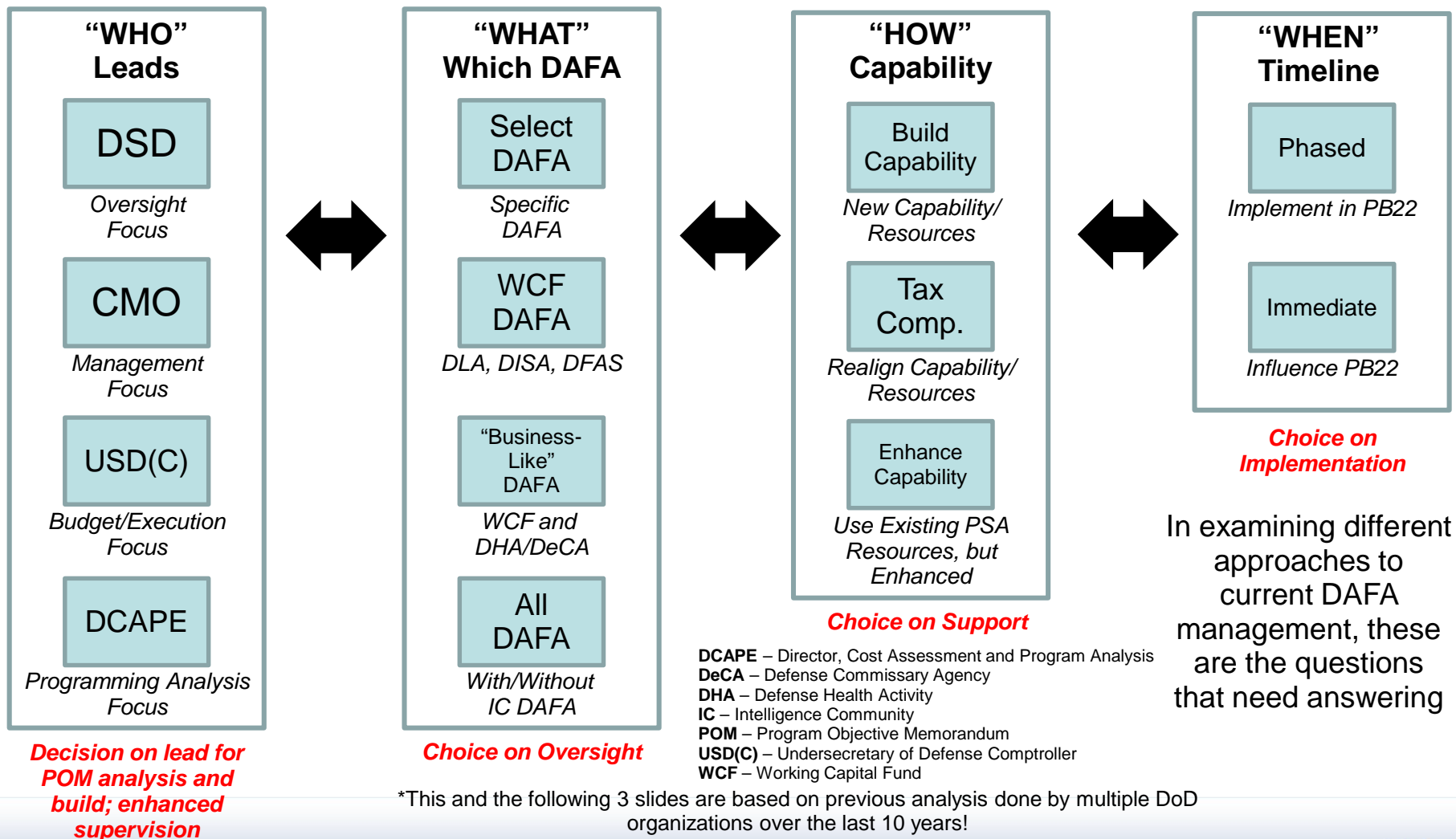
Centralized vs De-centralized DAFA management

- Can centralized management address identified problems?
- What new challenges would centralized management create?
- What statutes would need to be changed?
- How could a better management structure promote improved performance?



DAFA: Management Options to Consider

DAFA Enhanced Management Options*



DAFA: Management Options to Consider

Add performance contracts to existing structure by adding output metrics to judge agency performance

- Metrics developed/monitored by existing oversight components (DSD, USD(C), Cost Analysis and Program Evaluation (CAPE))
- Metrics approved by DMAG, enforced by DSD, using “commander’s intent” to PSAs from SD/DSD

Create a DAFA Oversight Committee (DOC)

- Retain existing senior fora structure but create DOC chaired by DSD
- PASs who have DAFA oversight present status reports to DOC on a rotating basis; changes needed directed by DSD

Create a DAFA Performance Office (DPO) in a newly established Performance Improvement Office reporting to the DSD

- Oversees performance metric compliance, recommends revisions
- Work with PSAs and provides management advice and internal consulting
- Reports directly to DSD and provides support in his DAFA role



DAFA: Management Options to Consider

Create a “Service Secretary” (Executive Level (EX) II) for the DAFA

- Reports directly to SD and has ADC similar to a Service Secretary
- Reviews all major new structure and/or staffing
- Makes recommendations for organizational consolidation, reorganization, elimination
- Authorized to direct component use of shared services provided by DAFA
- Remove ADC, and policy direction, from the PSAs

Improve management of defense-wide working capital funds

- Reestablish the section in USD(C) that formerly performed this function
- Works with a newly established staff official, under the DSD

Replace 3-Star military leaders in the business oriented DAFA (DLA, DHA, DeCA, DCAA, DCMA, and perhaps others) with private-sector executives with proven track records in successfully running similar organizations in the private-sector

- 3-Star would become the deputy
- Agency head on a term performance contract
- Create oversight fiduciary boards into a blend of private sector experts and DoD customers representatives with “lead director” from the private sector
- “Independent” directors should have a majority of board seats



DAFA: Enhanced Management Options

Least aggressive

Most aggressive

	Options for a Central Management Official in OSD					Outside OSD
Red = Changes between Options	0 Status Quo	1 Increased Visibility	2 OSD Process Owners Split ADCON	3 DSD Process owner Full ADCON	4 Enhanced CMO OPCON/ADCON	5 Global Business Services
Admin Mgmt ADCON	DAFA directors <i>All admin matters</i>	DAFA directors <i>All admin matters</i>	OSD Leads <i>Select admin matters</i>	DSD <i>All admin matters</i>	CMO <i>All admin matters</i>	GBS <i>All admin matters</i>
Mission Direction OPCON	PSAs	PSAs	PSAs <i>w/ Analysis Cells</i>	PSAs <i>w/ Analysis Cells</i>	CMO	GBS
POM Build	DAFA Directors <i>w/ PSA oversight; Individual POMs</i>	DAFA Directors <i>w/ CAPE assistance; Individual POMs</i>	DAFA Directors <i>w/ CAPE assistance; Individual POMs</i>	DAFA Directors <i>w/ DSD guidance; Synchronized individual DAFA POMs</i>	DAFA Directors <i>w/ CMO ownership; single integrated DAFA POM</i>	GBS Directors <i>Single integrated GBS/DAFA POM</i>
POM Adjustments	Intra-DAFA only	Intra-DAFA only	Across DAFA	Across DAFA	Across DAFA	Across GBS <i>composed of DAFA</i>
DAFA Resource Competition Process	DoD-wide <i>PBR competition DSD decides</i>	DoD-wide <i>PBR competition w/ CMO recommendations DSD decides</i>	DAFA-wide <i>CMO-level competition w/3C's PSAs advising CMO decides</i>	DAFA-wide <i>DSD-level competition w/3C's PSAs advising DSD decides</i>	DAFA-wide <i>CMO decides</i>	GBS <i>GBS Leader decides</i>
			After DAFA-wide competition, DAFA enter back into DOD-wide competition			GBS enters DoD-wide competition directly
Thematics		Enhanced POM development SES Performance Reviews (opt) CXO council (opt)	Cells in OCMO/OUUSD(C) /ODCAPE Remaining admin handled by DAFA	DSD all admin Ramped up capability and centralization	OPCON to CMO CMO "owns" DAFA PSAs maintain policy oversight	New element: "Mil-Dep for Fourth Estate" - like
Additional choices	DAFA merged by category e.g., WCF, CSA, Intel - potential for organizational efficiencies by selected DAFA mergers DAFA included/excluded by category e.g., Intel, CSA, Business included vs Financial excluded					

All options presume that PSAs will continue to execute DoD-wide policy oversight



Defense Working Capital Funds

Improving DWCF performance is integral to improving DAFA management. DWCFs create an internal DoD market where “customers” purchase the goods/services they need from the DWCF provider. A number of DAFA DWCFs provide consolidated services that are needed across DoD; the Military Departments also maintain DWCFs for specific needs

- Defense-wide WCF: \$62.6B* / Service Specific WCFs: \$71.4B*
 - DW WCF: DLA \$43B, DISA \$12.2B, DFAS \$1.4B, DeCA \$6B
 - MILDEPS WCF: \$29.4B Navy, \$26.5B Air Force, \$15.5B Army

DWCFs are revolving funds that provide and charge for support/products

- Example: DLA purchases parts from a supplier. When forces require that part, DLA sells it to them and charges them to cover the cost of acquiring, storing, and delivering it
- While DWCFs handle large volumes of money, this amount is directly related to the volume of goods/services desired and purchased by customers
- On aggregate, an 85% /15% split between cost of goods and overhead (acquiring, storing, transporting)

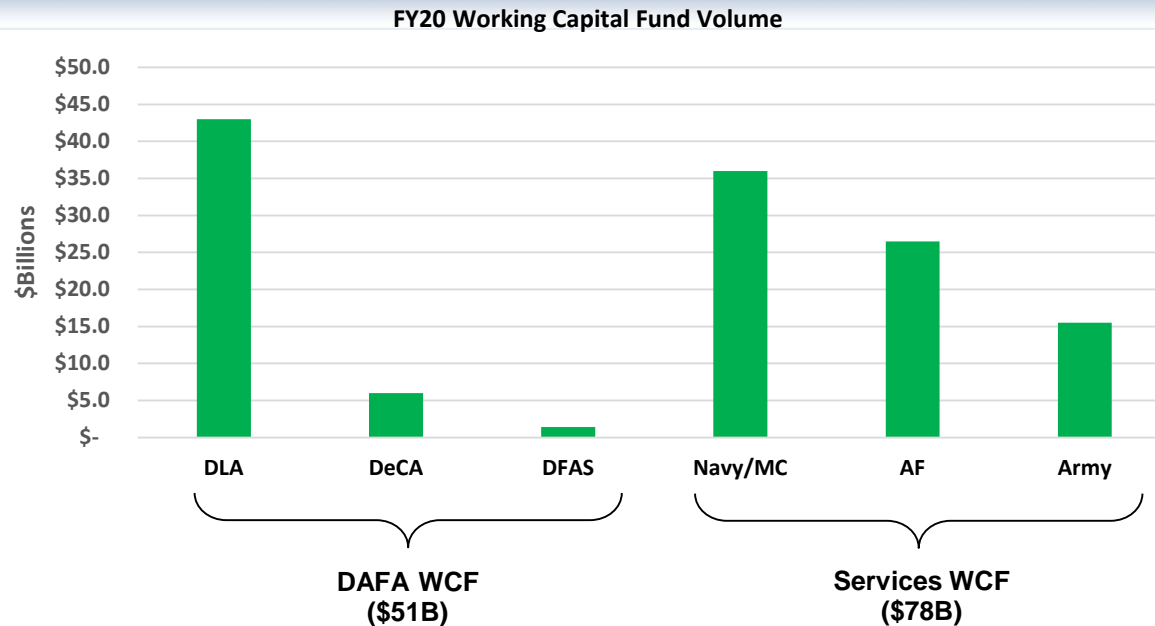
Generally, DWCFs do not receive substantive appropriation, but instead recover the costs of goods/services/overhead by charging customers (DeCA being the exception)

- If the DWCF has a net positive or negative return in a given year, it lowers or adjusts prices the next year to compensate
- Goal: revenue neutral each year with relatively stable rates

*Source: Official FY20 WCF Budgets: DLA, DISA, DeCA, DFAS, Navy/MC, USAF, Army



DWCF Volume and Manpower Is Huge



- Working Capital Funds vary widely in terms of dollars handled and manpower
 - DLA: \$44B, approximately half of which is sales of fuel. Overhead rates have been low in recent years (12%). Small portion of sales to non-DoD entities helps limit overhead
 - DeCA: ~\$6B which comes directly from sales of items to service members/retirees
 - DFAS: ~\$1.4B for purchases of finance and accounting services. Some sales to non-DoD entities helps limit overhead
 - Navy: \$29B, including \$13B for Navy R&D, \$7B for supply, and \$3B for depots
 - Air Force: \$26.5B, including \$14B for spares and depot repair and \$12B for transportation
 - Army: \$15.5B equally split between supplies and depot maintenance

Source: DBB chart created with DoD WCF FY20 Budgets



Why does the Department Run DWCFs?

The Idea: DWCFs offer a number of distinct advantages when demand/product is roughly predictable

- **Decreased costs:** DWCFs can purchase common goods/services in bulk, negotiating a better deal than individual customers
- **Less duplication of effort:** DWCFs can consolidate efforts that are common across services
- **Budgeting flexibility:** DWCFs are less constrained by the budgeting cycle
- **Price transparency:** By including all costs associated with goods/services, customers can see the fully burdened cost of their support services - *GAO found in 2019 that DFAS, DISA, and DLA have not provided transparent pricing to the MILDEPs, who are their largest customers [GAO 20-65]*
- **Price stability:** DWCFs can charge a stable price throughout the year, allowing customers to better plan and execute their budgets

The Concern: Some argue that DWCFs don't always realize these advantages in practice

- Concerns that as size of DWCFs grow, they may become bloated due to indirect and G&A costs
- Data shows that overhead rates have been substantial in the past; OSD puts breaking even first
 - In times of relative peace, customer base shrinks and overhead can increase
- Customers sometimes argue that DWCF rates are higher than they should be [**Levine testimony, 2018**]
 - DWCF rates may be too high OR price transparency may make DWCF appear more expensive, even if not
- Anecdotal, it was suggested that DWCFs may not always provide goods as quickly as desired

Exceptions: DFAS and DLA have improved over time and the goal is to get all those using DWCF to improve as well



Summary of Potential Choices for Savings

Do nothing: Money handled in DWCFs should decrease as customers' force structures and budgets decrease (and they buy fewer goods)

- **Concern:** As total volume of sales decreases, overhead rates could rise since fixed costs will be spread over a smaller customer base
- **Example:** DLA overhead costs were 20-25% pre-9/11
 - Potential Mitigation: All DWCFs have initiated efforts that may minimize overhead as demand decreases

Reconsider: Examine shrinking, expanding, or eliminating DWCFs

- If DWCF operations are more efficient, perhaps additional functions should use them
 - Example: Run T&E functions as DWCFs, charging Services to test their platforms; broader use of DWCFs for R&D (i.e., Navy model)
- If DWCFs are bloated monopolies, split to create competition and drive performance
 - Example: Allow multiple providers of financial accounting services to allow price competition
- Reenergize the USD(C)/CFO office which focuses on DWCF (capability was substantially reduced in OSD cuts)

Four ways to achieve savings in DWCF:

- Customers purchase directly, using DWCF
- DWCF managers work directly with supplier to eliminate middle-man overhead cost (i.e., DLA) and can negotiate better prices
- DWCF reduces overhead costs; decreasing overhead is preferred, however, customer demand is the highest variable
- Allow DoD customers to direct purchase from outside vendors, bypassing DWCF and DAFA

DWCFs should help make DoD's operations more efficient. SD should launch an empirical study to determine if DWCFs are operating effectively



DEFENSE BUSINESS BOARD



Organizational Alternatives

Organizational Alternatives

The DBB's overall assessment of CMO effectiveness from 2008 to present found that, based on how it was initially designed statutorily and subsequently changed and how DoD implemented it over time in its various forms, the office has been **mostly ineffective** in executing its mission to transform business operations in DoD, and in exercising the powers and authorities specified in § 132a of title 10, United States Code

Therefore, this section provides alternatives to the to the unacceptable status quo

The DBB found in part that the position itself, starting in 2008, was never truly set up for success. In large part, the DBB feels this failure is due to an inadequate organizational construct, even in the most recent legislative change, the FY18 NDAA that created the CMO as a PAS EX II. This also did not result in empowerment within the hierarchy of the DoD or success in effecting enterprise business transformation

Section 904(c) of the FY20 NDAA directed both an assessment of the effectiveness of the CMO and also for the SD to identify such modifications to the responsibilities and authorities of the CMO, whether specified in statute or otherwise

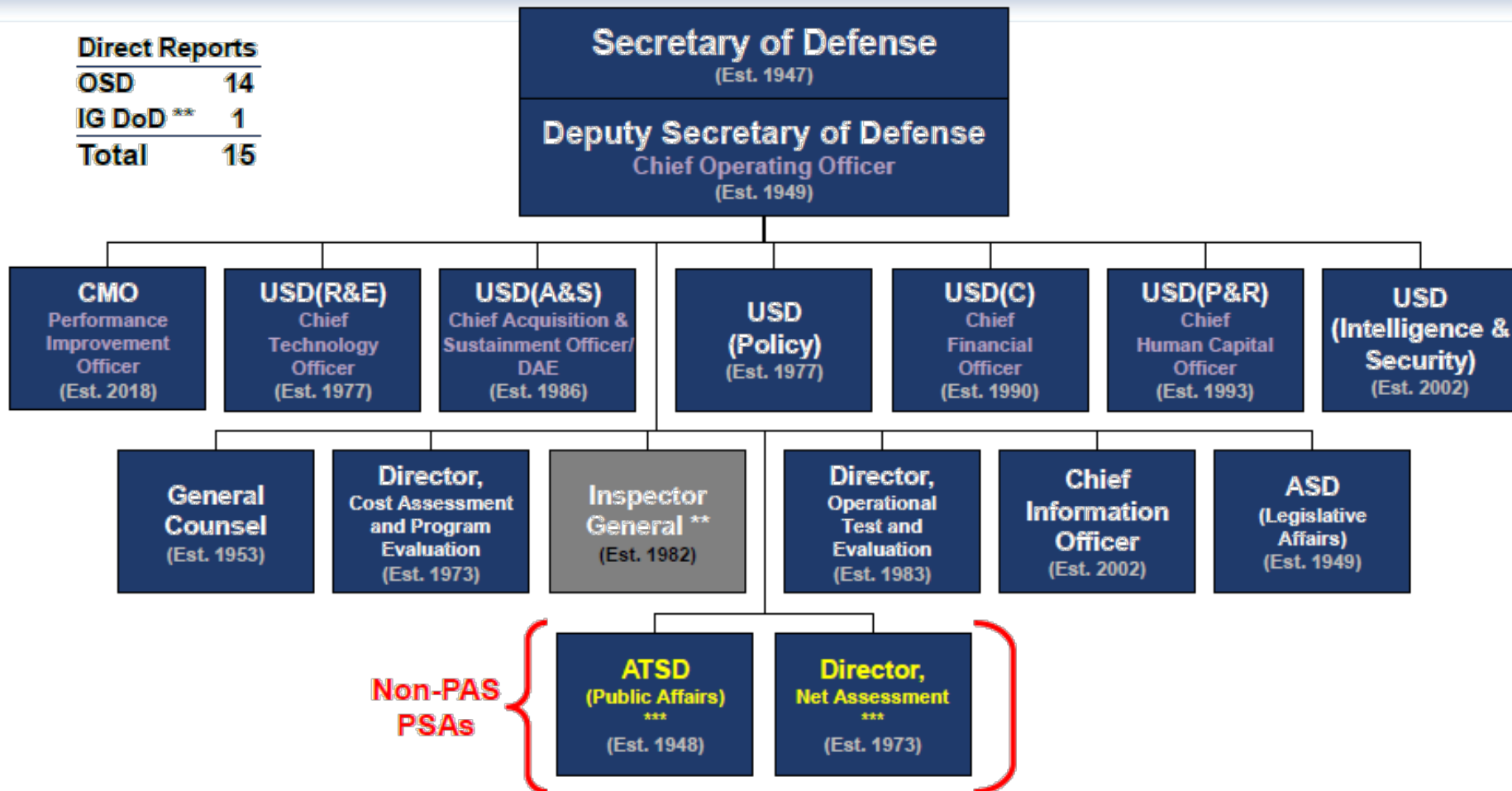
The following organizational alternatives are presented **in no particular order of preference** and ultimately were chosen to assist the SD in developing recommendations to the Congress for such legislative action as he may consider appropriate to implement such modifications



Current OSD Organization

Direct Reports

OSD	14
IG DoD **	1
Total	15



* Dates reflect establishment of positions with roles that were essentially the same as they are today (even though the positions may have previously been non-PAS).

** Although the IG DoD is statutorily part of OSD and for most purposes is under the general supervision of the SD, the Office of the IG DoD (OIG) functions as an independent and objective unit of the DoD

*** All positions shown are PAS except those with **** which are **SES positions**

The full complexity of the DoD Enterprise can be found on Backup Slides 156-163



Organizational Alternatives*

Re-designate CMO as Principal Undersecretary of Defense for Business Transformation (PUSD(BT))/Deputy Chief Operating Officer (DCOO) (PAS EX III)

- Adjust current § 132a, Title 10 statutory responsibilities to focus this position strictly on business transformation
- Rationalize CMO relationships/authorities of and between DSD/COO, PSAs, MilDeps, and DAFA by re-designating the CMO as the PUSD(BT)/DCOO under the ADC of the DSD as COO
- SD should clarify focus and responsibilities through a charter outlining relationships and responsibilities. The office should have presumptive authority over the other PSAs in specified matters
- Remove administrative and regulatory functions (WHS, PFPA, COG/COOP) by establishing a Director of Administration and Support (DA&S) responsible to the SD/DSD for executing those functions
- Remove authority to direct Service Secretaries
- Shift Fourth Estate/DAFA responsibilities to DSD and a Performance Improvement Officer (PIO); with capabilities added to the PSAs, OUSD(C)/CFO, ODCAPE, and the J-8 to effect improved oversight on operations and to reduce costs

Two Deputy Secretaries of Defense (both PAS EX II)

- Deputy Secretary for Strategy and Policy focused externally and internally on policy and strategy issues
- Deputy Secretary for Resources focused internally and externally on management and resources issues with separate officials responsible to the Deputy for the Fourth Estate and another for enterprise business transformation
 - Disestablish CMO with responsibilities assumed by this Deputy and other PASs and move administrative and regulatory functions under this Deputy

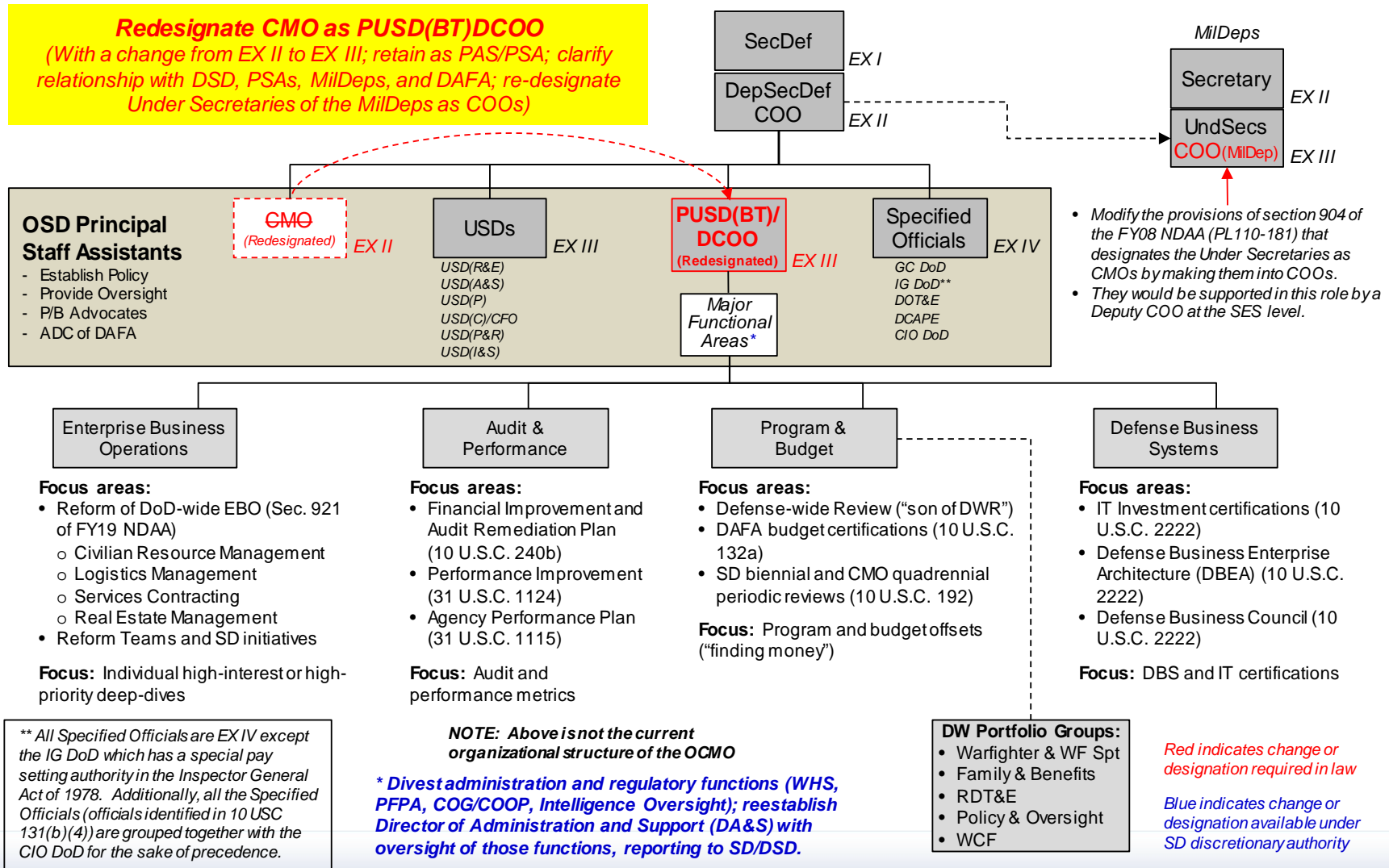
Deputy Secretary of Defense as enhanced Chief Operating Officer (PAS EX II)(a & b)

- The Deputy empowered as an enhanced COO
- Disestablish CMO position and organization
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Establish Performance Improvement Officer tasked with business transformation, performance improvement, and improving DW/DAFA enterprise business operations
- Establish a Director of Strategic Integration, Governance, and Analysis (DSIGA) placed in the DA&S with direct support to SD/DSD (**Option a**) or reporting directly to the DSD as part of the SD/DSD's immediate office (**Option b**)
- Increase/enhance analytical capabilities in OUSD(C)/CFO, ODCAPE, and J-8 to support the DSD's COO role
- Increase/enhance IT capabilities in CIO to support digital transformation

* As previously noted, the organizational alternatives are presented in **no particular order of preference**



Re-designate CMO as Principal Undersecretary of Defense for Business Transformation / Deputy Chief Operating Officer



Re-designate CMO as PUSD(BT)/DCOO

Concept: Re-designate CMO* as the Principal Undersecretary of Defense for Business Transformation (PUSD(BT))/Deputy Chief Operating Officer (DCOO) to the DSD

- Official remains a PAS, but as an EX III totally focused on business transformation
- A charter with responsibilities and authorities determined and approved by the SD
- Remove non-core administrative and regulatory functions (WHS, PFPA, COG/COOP, ATSD(IO)) to other officials; reestablishing a DA&S responsible to the DSD for executing those functions
- Remove the statutory authority to direct the Service Secretaries, as that is vested with the SD/DSD
- Shift Fourth Estate/DAFA responsibilities to DSD and PSA, with added capabilities to provide oversight and effect transformation (additional billets from disestablished OCMO)

Actions Required:

- Determine authority and relationships between the DCOO, MilDeps, PSAs, and DAFA
- Codify the DCOO in a chartering directive

Pros:

- Focuses the office on business transformation
- Provides additional time for DCOO business transformation to develop and mature
- Sets up an organizational structure more aligned within the norms of DoD decision-making

Cons:

- Doesn't address CMO shortcomings over the 12 year period of its existence
- CMO is under-resourced to accomplish current functions; and understaffed in terms of skill sets
- Uncertainty as to the probability of success

*DoD is the only Federal Agency with a CMO. All Federal Agencies are required, pursuant to title 31, U.S.C., to have a COO, which performs equivalent responsibilities to a CMO. All alternatives remove the CMO designation with the DSD as COO, with equivalent responsibilities. Additionally, all propose removing authority to direct the Secretaries of the MilDeps and other DoD Component heads



Two Deputy Secretaries of Defense

The demands of the 21st century national security environment have altered the traditional role of the Deputy Secretary as the Department's COO as a leadership duality with the Secretary of Defense

The OSD structure should be rationalized and aligned with the Secretary's two core responsibilities as CEO of the Department: managing and resourcing the Defense business enterprise and the strategic planning for integrated global military operations

Timely decision-making would be improved by vesting the day-to-day leadership in two Executive Level II officials who will effect appropriate decisions at their level, and when necessary, will ensure that fully coordinated and integrated recommendations are presented to the Secretary for final decision

The restructuring of executive authority in two Deputy Secretaries will strengthen civilian control over the Department; restore advocacy at the OSD level; enhance the Department's ability to provide for continuity of leadership under extraordinary circumstances; and provide a natural succession plan

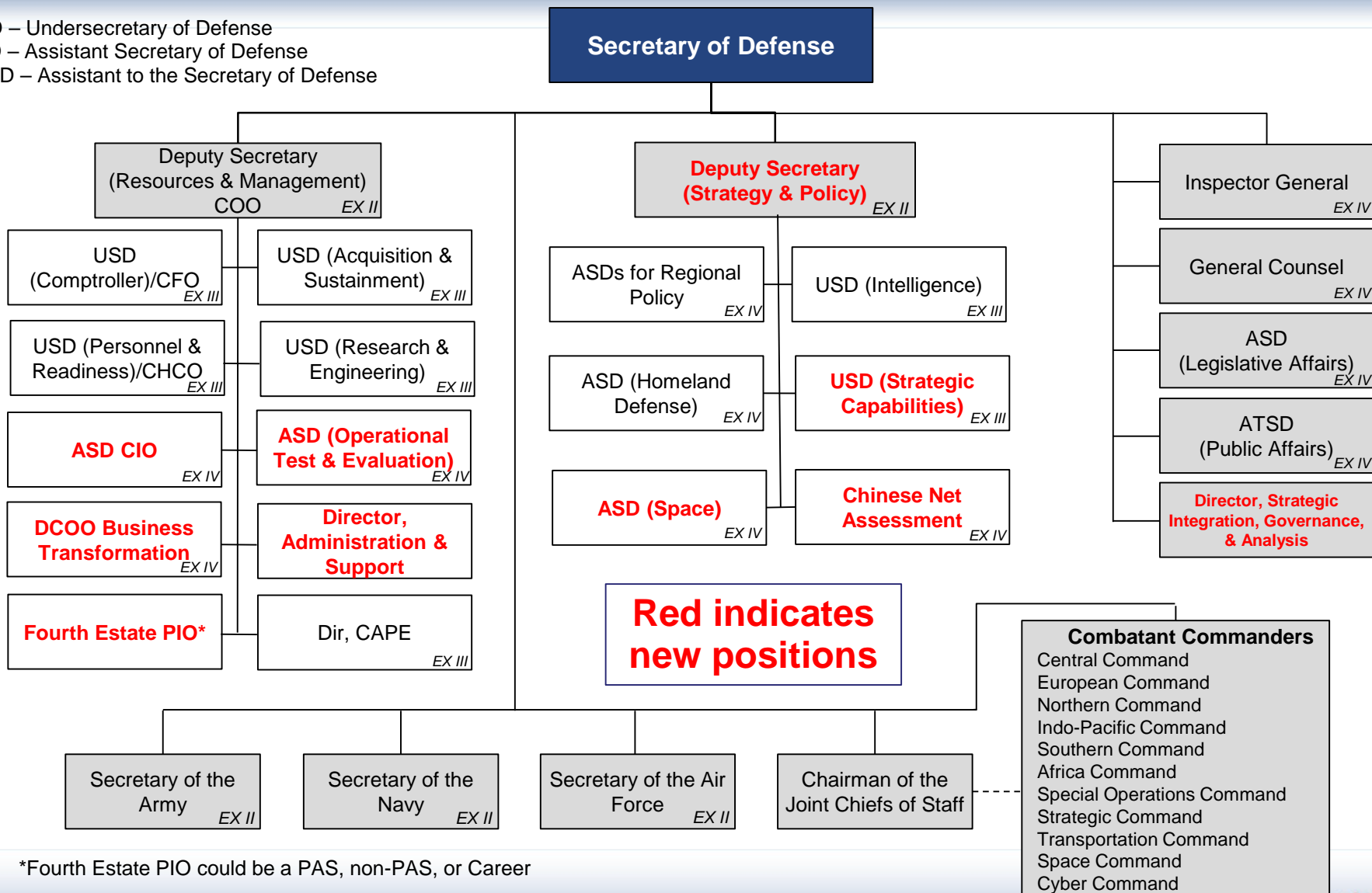
A Deputy Secretary for Strategy and Policy can more effectively speak on behalf of the Secretary and represent his interests with both internal and external organizations including the JCS, the State Department, the NSC staff, the Intelligence Community, and the Congress

A Deputy Secretary for Resources and Management can more effectively represent the Secretary with both internal and external organizations including the Military Departments, Defense-wide, including the DAFA, OMB, Office of Personnel Management (OPM), GAO, the Congress, and industry



Two Deputy Secretaries of Defense

USD – Undersecretary of Defense
 ASD – Assistant Secretary of Defense
 ATSD – Assistant to the Secretary of Defense



*Fourth Estate PIO could be a PAS, non-PAS, or Career



Two Deputy Secretaries of Defense

Concept:

- Create a Deputy Secretary for Strategy and Policy and a Deputy Secretary for Resources and Management

Actions Required:

- Requires significant changes to Title 10
- Establish a Director of Strategic Implementation, Governance, and Analysis
- Establish a Performance Improvement Officer

Pros:

- Equalizes the focus on internal business management and policy/strategy portfolios
- Provides two empowered officials who can speak on behalf of the Secretary to internal and external organizations
- Restores and strengthens advocacy at the OSD level
- Aligns the organizational structure with the Secretary's CEO focus
- Improves the Secretary's span of control

Cons:

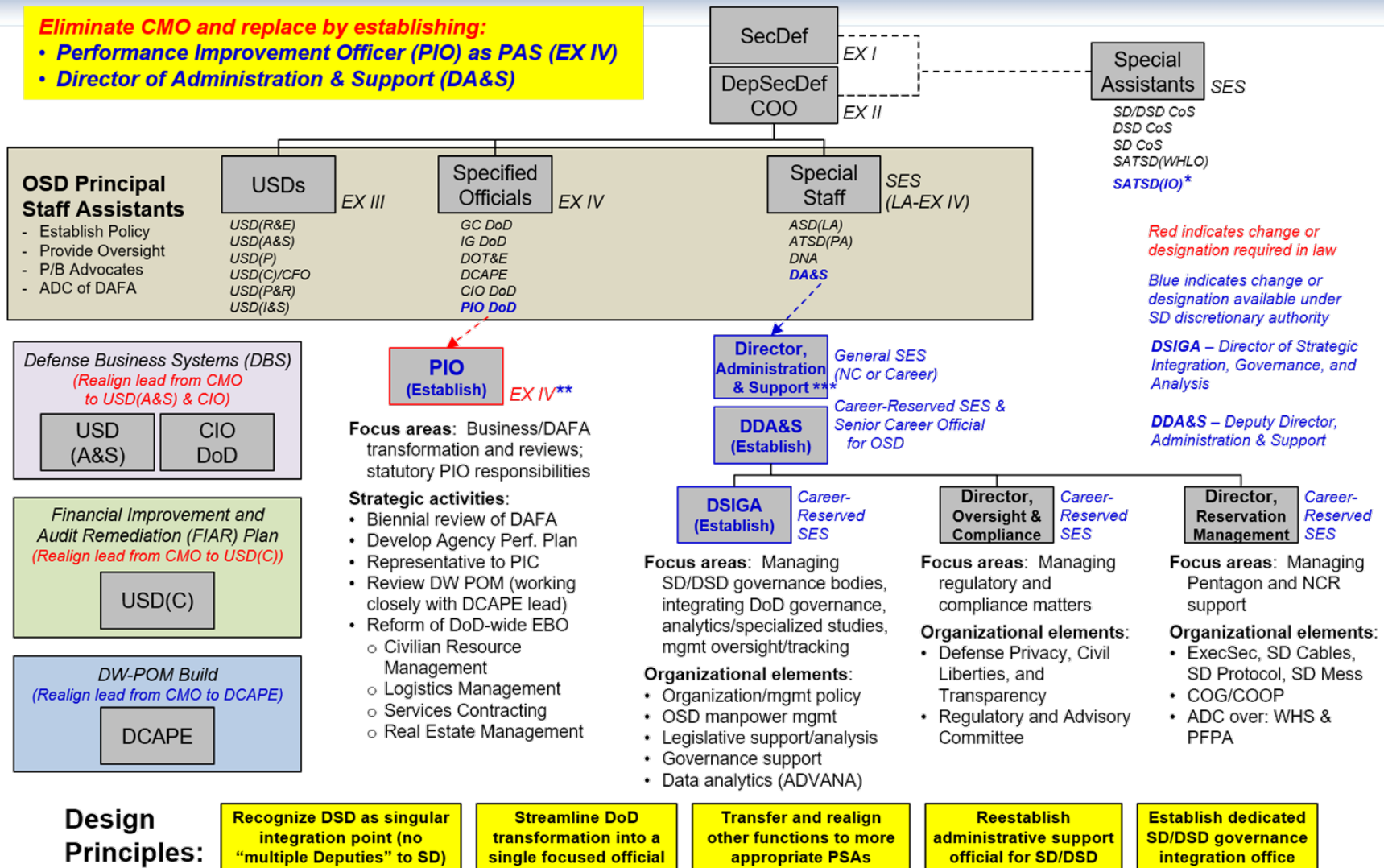
- Creates two "First Assistants" to the Secretary; who is really number two?
- Deprives the Secretary of a singularly focused Deputy who can share the managerial and leadership demands of the security environment (the "duality of leadership" concept)
- Lacks a senior coordinating Deputy, free from the demands and vested interests of a portfolio. Will still require "tie-breaking" and/or critical decisions by the Secretary
- More difficulty integrating strategy and resources
- Rejected in the past by previous SDs and DSDs
- Not within the norms of DoD decision-making



DSD as COO with Enhanced Capabilities (a)

Eliminate CMO and replace by establishing:

- **Performance Improvement Officer (PIO) as PAS (EX IV)**
- **Director of Administration & Support (DA&S)**



** SD can establish a PIO; establishment of a PAS PIO requires statutory changes

*** Alternatively, the DA&S could be designated as the Administrative Assistant to the SD/DSD (similar construct to that in the MilDepts)

* IO reestablished as a SATSD



DSD as COO with Enhanced Capabilities (a)

Concept: Deputy Secretary of Defense as Chief Operating Officer

- The Deputy empowered as an enhanced COO (returning the “CMO” hat to DSD as COO)
- Disestablish CMO position and organization, establish a Performance Improvement Officer (PIO) and office focused on Business Transformation and Performance Improvement with task to assist DSD in DW/DAFA management
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Increase/enhance analytical capabilities as they relate to management in OUSD(C), ODCAPE, PSAs, and JS J-8 to support the DSD’s COO role in business transformation and Fourth Estate/DAFA oversight
- Empower USD(P) as the representative of the SD in the interagency processes
- Increase/enhance IT capabilities in CIO to support digital transformation
- Improve and update non-governance structures

Actions Required:

- Establish Performance Improvement Officer with focus on Business Transformation, Strategic Management and Performance Improvement and DW/DAFA Enterprise Business Operations
- Establish a Director of Administration and Support (DA&S) with a dedicated office to provide Strategic Integration, Governance, and Analysis (SIGA) support directly to the SD/DSD
- Distribute current CMO statutory responsibilities as indicated above
- Rely on USD(P) for most interagency policy matters

Pros:

- Takes advantage of the current and historical strength of the DoD decision support/governance processes as this operates within accepted norms
- Improves oversight, supervision, and direction of the DAFA
- Recognizes only the SD and DSD make enterprise-wide decisions requiring trade-offs and prioritization
- Provides a better chance of success in enterprise business transformation than the 12 previous years of the DCMO/CMO

Cons:

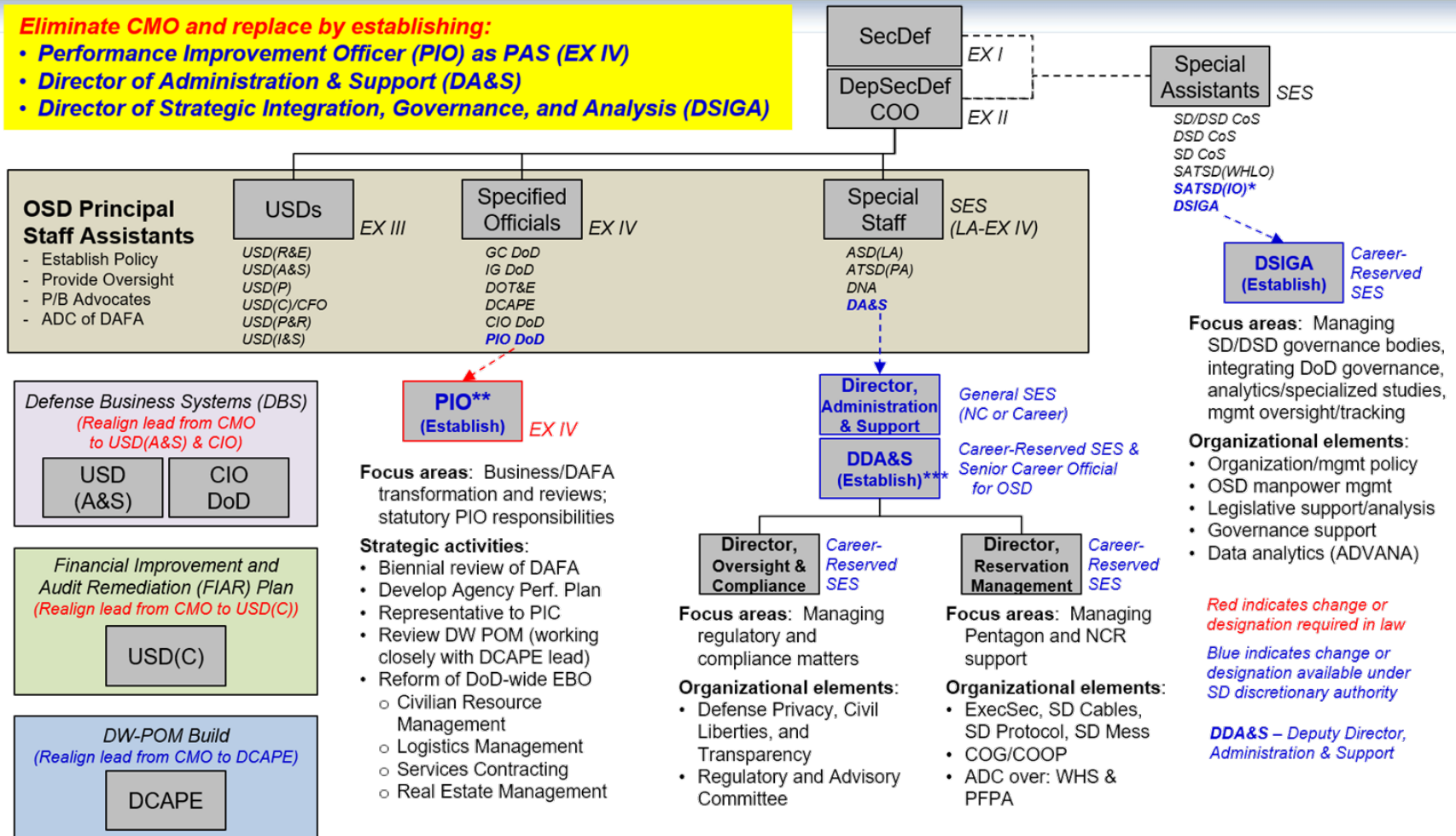
- Will require DSD to focus more exclusively on managing the Department, its resources, and effecting enterprise business transformation, vice engaging in most interagency processes and meetings
 - A DSD should be appointed who has a proven track record in managing large, complex private sector organizations together with proven experience in the DoD
 - An USD(P) should be selected with the understanding they would share responsibility to represent DoD in the interagency processes



DSD as COO with Enhanced Capabilities (b)

Eliminate CMO and replace by establishing:

- **Performance Improvement Officer (PIO) as PAS (EX IV)**
- **Director of Administration & Support (DA&S)**
- **Director of Strategic Integration, Governance, and Analysis (DSIGA)**



Design Principles:

Recognize DSD as singular integration point (no "multiple Deputies" to SD)

Streamline DoD transformation into a single focused official

Transfer and realign other functions to more appropriate PSAs

Reestablish administrative support official for SD/DSO

Establish dedicated SD/DSO governance integration office

** SD can establish a PIO; establishment of a PAS PIO requires statutory changes

*** Alternatively, the DA&S could be designated as the Administrative Assistant to the SD/DSO (similar construct to that in the MilDepts)

* IO reestablished as a SATSD



DSD as COO with Enhanced Capabilities (b)

Concept: Deputy Secretary of Defense as Chief Operating Officer

- The Deputy empowered as an enhanced COO (returning the “CMO” hat to DSD as COO)
- Disestablish CMO position and organization, establish a Performance Improvement Officer (PIO) and office focused on Business Transformation and Performance Improvement with task to assist DSD in DW/DAFA management
- Distribute current CMO statutory responsibilities; divest CMO administrative and regulatory functions as per Alternative #1
- Increase/enhance analytical capabilities as they relate to management in OUSD(C)/CFO, ODCAPE, PSAs, and JS J-8 to support the DSD’s COO role in business transformation and Fourth Estate/DAFA oversight
- Empower USD(P) as the representative of the SD in the interagency processes
- Increase/enhance IT capabilities in CIO to support digital transformation
- Improve and update non-governance structures; create a direct report capability for the DSD

Actions Required:

- Establish Performance Improvement Officer with focus on Business Transformation, Strategic Management and Performance Improvement and DW/DAFA Enterprise Business Operations
- Establish a Director of Administration and Support (DA&S); distribute current CMO statutory responsibilities as indicated
- Establish Director, Strategic Integration, Governance, and Analysis (DSIGA) reporting directly to the DSD
- Rely on USD(P) for most interagency policy matters

Pros:

- Takes advantage of the current and historical strength of the DoD decision support/governance processes as this operates within accepted norms; creates dedicated, direct report capability for the SD/DSD
- Improves oversight, supervision, and direction of the DAFA
- Recognizes only the SD and DSD make enterprise-wide decisions requiring trade-offs and prioritization
- Provides a better chance of success in enterprise business transformation than the 12 previous years of the DCMO/CMO

Cons:

- Will require DSD to focus more exclusively on managing the Department, its resources, and effecting enterprise business transformation, vice engaging in most interagency processes and meetings; increases the size of the DSD staff elements
 - A DSD should be appointed who has a proven track record in managing large, complex private sector organizations together with proven experience in the DoD
 - An USD(P) should be selected with the understanding they would share responsibility to represent DoD in the interagency processes



DEFENSE BUSINESS BOARD



DBB Recommendations

DBB Recommendations

Based on the results of the required statutory assessment pursuant to § 904 of the FY2020 NDAA, the DBB recommends the following:

Disestablishment of the OCMO and its replacement by one of the three alternatives, as selected by the SD, outlined in the Organizational Alternatives section beginning on Slide 64.

Recommendations consistent with all three organizational alternatives:

- Current OCMO disestablished and functions distributed in accordance with the alternative selected
- The term Chief Management Officer eliminated; MilDep undersecretaries title changed from CMO to COO
- DSD held accountable to the SD for the overall management of DoD with an emphasis on business transformation
- A Performance Improvement Officer is created under alternatives 2 and 3 (as required by the GPRA Modernization Act of 2010 (Pub. L. 111-352) [Slide 118] and § 1124, title 31 U.S.C.) to focus on business transformation, including enterprise business operations and to improve operations and reduce costs in DW and DAFA
- A Director of Strategic Integration, Governance, and Analysis is established to support SD/DSD in the integrating and tracking of priorities; includes NDS and maintaining coherence in DoD governance structures
- DSD transmits the SD's annual "commander's intent" in terms of the goals and performance objectives for business transformation and holds the Department accountable to the SD
- Increased staffing in OUSD(C)/CFO, ODCAPE, and the J-8 for analytical and review capability in terms of enterprise business transformation and improved management and transformation of the DAFA under all alternatives
- Increased CIO staffing to fully develop, implement, and support a digital strategy for all of DoD in furtherance of SD/DSD priorities
- Increased OASD(LA) personnel and skill sets in existing and new areas to better inform the Congress on SD priorities
- Additional staffing requirements in OSD and TJS would be filled by using billets freed by disestablishing the OCMO
- PSAs retain ADC of DAFA while the DAFA review is underway, with additional internal capacity and capability for both budget review and management advice of DAFA and functional enterprises combined with consultation and analytical support from the OUSD(C), ODCAPE, PIO, and J-8

The greatest chance of success requires multiple changes be made



DBB Recommendations

Other organizational reforms recommended:

- DAFAs that are major business entities or function as such (e.g., DLA, DHA, DeCA, DSCA) should be led by proven core competent civilian leaders with performance contracts at private sector comparable salaries with a military leader as deputy
- Business-oriented DAFAs should have an independent board of directors who come from the appropriate business world (current government customers could also serve on the board, but the board majority should be independents)
- Reestablish the Director of Administration and Management (DA&M) as the Director of Administration and Support directly reporting to the SD/DSD.
 - Could be led by a general position SES (non-career or career)
 - Deputy could be a career reserved SES and is the most senior career civilian in OSD
 - WHS, PFPA, CG, compliance and oversight, NCR and Pentagon reservation management would be within this organization
- Create the position of Director of Strategic Integration, Governance, and Analysis. This position facilitates departmental and integration of key priorities; tracks NDS implementation, integration and presentation of data; maintains and monitors coherence in execution of departmental governance; integration of primary and supporting tiers of governance; and high level of “process” and information flow
- Reestablish the Assistant to the Secretary of Defense for Intelligence Oversight as a Specified Official reporting directly to the SD/DSD
 - Remove this organizational function from the OCMO
- Emphasis that any DSD nominee must possess a proven track record in managing large, complex organizations and also significant previous experience in DoD
 - Preferably an individual promoted to ever-increasing positions in the private sector and government sector
- The USD for Policy, when directed by the SD, should represent DoD in the interagency process when the DSD's presence is not required
 - This would free up the DSD to focus on his COO role of leading internal management and business transformation



DBB Recommendations

Process reforms recommended:

- The SD should direct the **conduct of a net assessment of the Chinese industrial base** and the Communist Party of China's role and incorporate germane findings into the performance goals of DoD business operations
 - Elements of the assessment should include comparisons of the Chinese military support enterprise to the US and China's military aerospace industrial base state and non-state controlled industries to America's
 - This should include relative cost, speed of product development, age and value of the installed capital base, leadership's technical competence and agility, nationally imposed inhibiting conditions, the availability of human and material resources, the burdens of government oversight, etc.
 - Particular focus should be on the emerging dual-use capabilities and technologies, already highlighted by DoD R&E priorities, including AI/ML, cybersecurity, space, quantum computing, microelectronics, engineered biology, etc.
- The SD should **continue to robustly** implement his responsibilities in §192 of title 10 to **review the DAFA**; the goal being to look at reducing, streamlining, consolidating, eliminating some, moving some to other supervisory arrangements, while conducting a major study of the future management options for DAFA as outlined on Slides 53 and 56
- The SD should **commission a major review of the Defense Working Capital Funds** and how they could be used to improve price-signaling effectiveness and efficiencies of the DAFA that use DWCF. Same for the services' use of DWCF. Both use DWCF in the \$100B range
- The SD should direct both an **internal and external review of the intelligence agencies** and subject them to the same rigorous approach as is being required for the rest of the Fourth Estate, CCMDs, OSD, Joint Staff, and MilDeps
- The SD should **commission a management survey** done by an independent organization to assess management gaps and organization structural problems across OSD. This survey would use the NDS as the benchmark to determine if the organization is structured, manned, and budgeted to achieve the challenges of the NDS



DBB Recommendations

Governance reforms recommendations tied to the NDS

The overall existing DoD governance structure lacks a sufficient NDS focus and dates back to a different global strategic era. The structure needs to be updated

- ❑ SD should direct development of concrete options (with timelines) to achieve NDS-aligned governance. Options should include zeroing out many governance bodies for maximum layering and updating governance documents
- ❑ SD should direct continued development of digital tools to capture, track, and share NDS implementation goals and tasks
- ❑ SD should stress that with data analytics: (1) all data is DoD data, no silos; and (2) development of use cases relevant to NDS implementation for eventual inclusion into decision fora is approved
- ❑ SD should direct that these directions be aligned within a newly established Director for Strategic Integration, Governance, and Analysis working directly for SD/DSD; provides decision support to cabinet level officials (near/mid-term SD/DSD priorities)



DBB Recommendations

All Alternatives would:

- Divest administrative matters from the CMO to a single non-PAS direct report to the SD/DSD (DA&M-like or equivalent). This official would:
 - Provide ADC over WHS, PFPA, and COG/COOP
 - Supervise immediate office support including Protocol, Mess, Cables, and ExecSec
 - Manage FOIA, FACA, and Privacy and Civil Liberties policy
 - Manage organizational/management, governance, and issuance policy
 - Provide support to SD/DSD
 - Serve as the Senior Career Official for transition purposes
- Reestablished Intelligence Oversight as a direct report to the SD/DSD
 - This function already requires direct engagement with the DSD on a regular basis to address sensitive intelligence matters
 - Recommend that this position not be designated as a PSA, but identified as a Special Assistant to the SD (SATSD) similar to WHLO
- Move remaining CIO related functions from CMO back to the CIO
- Remove CMO authority to direct Service Secretaries

Note: The FY20 NDAA (P.L. 116-92) returned CIO functions in titles 10, 40, and 44 to the CIO with the exception of a single provision in title 40 (§ 11319; on an inventory of non-NSS IT systems). All alternatives would proposed that the requirement in § 11319 be reassigned to the CIO



DBB Recommendations

Recommendations within current SD authority:

- Enhancing the DSD's role as COO
- Increasing staffing/capabilities for OUSD(C)/CFO, ODCAPE, OASD(LA), and JS/J-8
- Retaining ADC of DAFA with PSAs, but with specific performance objectives
- Assigning proven private-sector civilian leaders to lead DAFA which are major business entities; creating outside fiduciary boards
- Establishing a separate Performance Improvement Officer (PIO)
- Reestablishing the DA&M (or Director of Administration and Support to the SD/DSD)
- Establishing a Director for Strategic Integration, Governance, and Analysis
- Reestablishing the ATSD(IO)
- Empowering USD(P) to represent DoD for many interagency roles (10 U.S.C. § 134(b)(2) covers the statutory responsibilities of the USD(P))
- Conducting a net assessment of the Chinese industrial base and CPC involvement
- Robustly implementing SD § 192 responsibility for DAFA through OSD enhanced organizations and capabilities under the DSD's direction
- Conducting an assessment of the management options for the DAFA
- Commissioning a major review of the DWCF for needed improvements
- Commissioning a management survey to look for management and organizational gaps
- Conducting a "Night Court" review of the intelligence DAFA



DBB Recommendations

Recommendations, if selected, requiring statutory changes:

- Changing titles from CMO to COO for Undersecretaries of the MilDeps (§ 904, FY08 NDAA (Pub. L.110-181))
- Disestablishing the CMO* and moving current statutory duties to other PSAs (10 U.S.C. §§ 131, 132, 132a)(the CMO duties which are discretionary can be moved immediately)
- Implementing two DSDs option (10 U.S.C. §§ 131, 132, 132a)
- Creating a Principal Undersecretary of Defense, focused on business transformation, as the Deputy COO to the DSD in his COO role. Move from EX II to EX III (5 U.S.C. §§ 5313 and §5314; 10 U.S.C. §§ 131 and 132a)

* If CMO is disestablished, changes to or elimination of the following statutes will be required:

- 10 U.S.C. §131 OSD
- 10 U.S.C. §132 DSD
- 10 U.S.C. §132a CMO
- 10 U.S.C. §192 DAFA Oversight
- 10 U.S.C. §240b FIAR Plan
- 10 U.S.C. §2222 DBS
- 31 U.S.C. §1124 PIO
- 40 U.S.C. §11319IT Review
- Additionally, there are 16 other minor mentions of CMO within U.S. statutes



DEFENSE BUSINESS BOARD



Back-up

Acronyms

ADC	Authority, Direction, and Control	DeCA	Defense Commissary Agency
ADCMO	Assistant Deputy Chief Management Officer	DFAS	Defense Finance and Accounting Service
ADCON	Administrative Control (Authority)	DHA	Defense Health Agency
AO	Action Officer	DHB	Defense Health Board
ASD(LA)	Assistant Secretary of Defense for Legislative Affairs	DHP	Defense Health Program
ASD(RA)	Assistant Secretary of Defense for Reserve Affairs	DIA	Defense Intelligence Agency
CAAF	Court of Appeals of the Armed Forces	DISA	Defense Information Systems Agency
CAPE	Cost Assessment and Program Evaluation	DISIC	Defense Intelligence and Security Integration Council
CBDP	Chemical Biological Defense Program	DJ-8	Director, Force Structure, Resources and Assessment, J8, JCRC
CBO	Congressional Budget Office	DJS	Director, Joint Staff
CCMD	Combatant Command (Organization)	DLA	Defense Logistics Agency
CIMB	Cyber Investment and Management Board	DLSA	Defense Legal Services Agency
CIO	Chief Information Officer	DMA	Defense Media Activity
CJCS	Chairman of the Joint Chiefs of Staff	DMAG	Deputy's Management Action Group
CLC	Continuous Learning Center	DNI	Director of National Intelligence
CMO	Chief Management Officer	DoC	Department of Commerce
CMP	Civil Military Programs	DoD	Department of Defense
CN	Counter narcotics	DoDD	Department of Defense Directive
COCOM	Combatant Command (Authority)	DoDEA	DoD Education Activity
COO	Chief Operating Officer	DoDHRA	DoD Human Resources Activity
CSMG	Computer Software Management Group	DoDI	Department of Defense Instruction
CSS	Central Security Service	DPAA	Defense POW/MIA Accounting Agency
CXO	Chief Experience Officer	DPO	Defense Program Office
DAFA	Defense Agencies and DoD Field Activities	DSCA	Defense Security Cooperation Agency
DARPA	Defense Advanced Research Projects Agency	DSCO	Defensive Space Control Operations
DASD (RUE)	Deputy Assistant Secretary of Defense for Russia, Ukraine, and Eurasia	DSD	Deputy Secretary of Defense
DASD	Deputy Assistant Secretary of Defense	DTIC	Defense Technical Information Center
DAU	Defense Acquisition University	DTRA	Defense Threat Reduction Agency
DAWDF	Defense Acquisition Workforce Development Fund	DTSA	Defense Technology Security Administration
DBB	Defense Business Board	DW	Defense-wide
DBC	Defense Business Council	ERMG	Executive Readiness Management Group
DCAA	Defense Contract Audit Agency	EW EXCOM	Electronic Warfare Executive Committee
DCAPE	Director of Cost Assessment and Program Evaluation	FFRDC	Federally Funded Research Development Center
DCMA	Defense Contract Management Agency	FIAR	Financial Improvement and Audit Remediation
DCMO	Deputy Chief Management Officer	FTE	Full Time Equivalent
DCSA	Defense Counterintelligence and Security Agency	GAO	Government Accountability Office
		GBS	Global Business Services



Acronyms

GC	General Counsel	POM	Program Objective Memorandum
GDP	Gross Domestic Product	PPP	Purchasing Power Parity
GFMB	Global Force Management Board	PSA	Principal Staff Assistant
HQ	Head Quarters	PTDO	Performing the Duties of
IC	Intelligence Community	RDT&E	Research, Development, Test, and Evaluation
IG	Inspector General	RMG	Reform Management Group
IIE	Institute of International Education	SD	Secretary of Defense
JCS	Joint Chiefs of Staff	SDA	Space Development Agency
JIE EXCOM	Joint Information Environment Executive Committee	SES	Senior Executive Service
JROC	Joint Requirements Oversight Committee	SLC	Senior Leadership Council
JS	Joint Staff	SOCOM	U.S. Special Operations Command
LRP	Long Range Plan	SSA	Software Support Activity
MDA	Missile Defense Agency	STLT	Senior Transition Leadership Team
MHSER	Military Health System Executive Review	SWPR	SD Weekly Priorities Review
MIA	Missing in Action	TJS OPS	The Joint Chiefs of Staff, Operations
MILDEP	Military Department	TJS	The Joint Staff
MILPERS	Military Personnel	TRMC	DoD Test Resource Management Center
NDAA	National Defense Authorization Act	USD(A&S)	Under Secretary of Defense for Acquisition and Sustainment
NDERG	Nuclear Deterrent Enterprise Review Group	USD(C)	Under Secretary of Defense (Comptroller)
NGA	National Geospatial-Intelligence Agency	USD(I)	Under Secretary of Defense for Intelligence
NRO	National Reconnaissance Office	USD(P&R)	Under Secretary of Defense for Personnel and Readiness
NSA/CSS	National Security Agency/Central Security Service	USD(P)	Under Secretary of Defense for Policy
O&M	Operations and Maintenance	USD(R&E)	Under Secretary of Defense for Research and Engineering
OCMO	Office of the Chief Management Officer	VCJCS	Vice Chairman of the Joint Chiefs of Staff
OCO	Overseas Contingency Operations	WCF	Working Capital Fund
ODCMO	Office of the Deputy Chief Management Officer	WHS	Washington Headquarters Services
OEA	Office of Economic Adjustment		
OPCON	Operational Control		
OPSDEPS	Operations Deputies Meeting		
OSD	Office of the Secretary of Defense		
OT&E	Operational Test and Evaluation		
OTE	Organize, Train, and Equip		
PAS	Presidentially Appointed, Senate-Confirmed		
PBR	Program and Budget Review		
PFPA	Pentagon Force Protection Agency		
PIO	Performance Improvement Officer		
PNT	Pentagon		



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Research Methodology Back-up

DBB Assessment Methodology

Research Approach

- The TF began with an extensive review of the statutory responsibilities and authorities of the relevant position/offices. This included analysis of transformation efforts and successes/failures since 2008, current state of OCMO performance metrics, past ODCMO and OCMO performance evaluations and prior studies and reports from various sources (20 year's worth) and best practices
- Second, TF members conducted 90 semi-structured interviews, internal and external to DoD, using pre-determined questions based on the § 904 task designed by the DBB. We analyzed the data into major categories that aligned with the 6 assessments required by § 904. Collective experience was drawn from:
 - Current and former senior DoD officials, Presidentially appointed, Senate approved (PAS) leaders, flag officers, career SES, and mid-career leaders
 - Leaders in other federal cabinet agencies and foreign national defense organizations
 - Key leaders from public and private sector organizations
 - Congressional leaders and key staff
 - Subject matter elites across the Department
- Following standard DBB practices, all interviews were conducted under the Chatham House Rule (CHR) - "When a meeting, or part thereof, is held under the Chatham House Rule, participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor the participant, may be revealed"

**Over 3,000
total years of
experience**



DBB Assessment Interviews

Mr	Randolf	Alles	Acting Under Secretary for Management, Department of Homeland Security
Mr	Norman	Augustine	Former Chairman and CEO of Lockheed Martin; former Under Secretary of the Army and Acting Secretary of the Army
Mr	Chris	Barnhurst	Chief Financial Officer/Comptroller, Defense Information Systems Agency
HON	Barbara	Barrett	Secretary of the Air Force
HON	David	Berteau	CEO of Professional Service Council; former Assistant Secretary of Defense for Logistics and Material Readiness
Ms	Anita	Blair	Fourth Estate Management Division Director, Office of the Chief Management Officer
Mr	Charles	Bowsher	Former Comptroller General of the United States, Government Accounting Office
VADM	Ronald	Boxall	The J-8, Joint Chiefs of Staff
Mr	Brian	Bulatao	Under Secretary for Management, Department of State
Mr	Christopher	Burnham	Former Under Secretary General for Management of the United Nations; former Assistant Secretary of State and Chief Financial Officer, Department of State
Gen Ret	Hawk	Carlisle	President and CEO, National Security Industrial Association; former Commander, Pacific Air Forces; former Commander, Air Combat Command
HON	Eric	Chewning	Former Chief of Staff to the Secretary of Defense; former Deputy Assistant Secretary of Defense for Industrial Policy
Ms	Christine	Condon	Principal Director, Resources and Budget, Office of the Chief Information Officer
Ms	Amy	Culbertson	Deputy Performance Improvement Officer, Department of Homeland Security
HON	Dana	Deasy	DoD Chief Information Officer
HON	Rudy	DeLeon	Former Deputy Secretary of Defense, former Under Secretary of the Air Force, former Under Secretary of Personnel and Readiness
HON	Lisa	Disbrow	Former Undersecretary of the Air Force; former Deputy J-8 Joint Chiefs of Staff
HON	Gene	Dodaro	Comptroller General of the United States, Government Accounting Office
HON	Michael	Donley	Former Secretary of the Air Force, former Director of Administration and Management
HON	Mathew	Donovan	Under Secretary of Defense for Personnel and Readiness; former Under Secretary of the Air Force
Ms	Camille	Drummond	Vice President of Global Business Services, British Petroleum
LTG Ret	Bob	Durbin	Chief Operating Officer, Aerospace Industries Association; former Director, Army Office of Business Transformation
Mr	Raymond	DuBois	Former Director of Administration and Management
Mr	Jeffrey	Eanes	Deputy Director, Organizational Policy and Decision Support, Office of the Chief Management Officer; legislative & organizational management expert
Mr	Mark	Easton	Deputy Chief Financial Officer, Office of the Under Secretary of Defense Comptroller
HON	Gordon	England	Former Deputy Secretary of Defense
Ms	Elizabeth	Field	Principal author, GAO reports on the DoD Chief Management Officer
Mr	Glenn	Fine	Inspector General of the DoD
HON	Michèle	Flournoy	Former Under Secretary of Defense for Policy

**Over 3,000 total
years of experience**



DBB Assessment Interviews

Mr	Daniel	Folliard	Special Assistant to the Secretary of Defense
HON	Christine	Fox	Former Acting Deputy Secretary of Defense; former Director of Cost Assessment and Program Evaluation
Mr	Peter	Giambastiani	Former Principal Deputy Assistant Secretary of Defense for Legislative Affairs
HON	John	Gibson	Former DoD Chief Management Officer
Mr	David	Goldstone	Chief Operating Officer, UK Ministry of Defence
HON	Mike	Griffin	Under Secretary of Defense for Research and Engineering
HON	Chuck	Hagel	Former Secretary of Defense
HON	Bob	Hale	Former Under Secretary of Defense (Comptroller) and Chief Financial Officer
HON	John	Hamre	Former Deputy Secretary of Defense, former Under Secretary of Defense (Comptroller) and Chief Financial Officer
Mr	Robert	Henke	Chief of Staff to the Deputy Secretary of Defense
HON	Lisa	Hershman	DoD Chief Management Officer
HON	Robert	Hood	Assistant Secretary of Defense for Legislative Affairs
GEN	John	Hyten	Vice Chairman of the Joint Chiefs of Staff
Mr	Justin	Johnson	Special Assistant to the Secretary of Defense, former Special Assistant to the Deputy Secretary of Defense
HON	Frank	Kendall	Former Under Secretary of Defense for Acquisition, Technology and Logistics
Mr	Paul	Koffsky	Senior Deputy General Counsel/Deputy General Counsel for Personnel and Health Policy
HON	Ken	Krieg	Former Under Secretary of Defense for Acquisition, Technology and Logistics
Ms	Susan	Leopoldi-Nichols	President of Global Business Services, United Parcel Service (UPS)
HON	Peter	Levine	Senior Fellow, Institute for Defense Analyses (IDA); former Deputy Chief Management Officer; former Acting Under Secretary of Defense for Personnel and Readiness
VADM	David	Lewis	Director of Defense Contracting Management Agency
HON	Ellen	Lord	Under Secretary of Defense for Acquisition and Sustainment
HON	Shon	Manasco	Performing the Duties of Under Secretary of the Air Force; Assistant Secretary of the Air Force for Manpower and Reserve Affairs
Mr	Andy	Mapes	Chief of Staff, Office of the Chief Management Officer
Dr	Roger	Mason	President Space, Intl and Cyber, Peraton, Inc.
Ms	Anne	McAndrew	Deputy Comptroller (Program/Budget), Office of the Under Secretary of Defense Comptroller
HON	Ryan	McCarthy	Secretary of the Army, former Under Secretary of the Army
Mr	Dick	McConn	Chairman, National Security Industrial Association
HON	Mike	McCord	Former Under Secretary of Defense (Comptroller) and Chief Financial Officer
HON	Elaine	McCusker	Acting Under Secretary of Defense (Comptroller) and Chief Financial Officer
HON	Beth	McGrath	Former Deputy Chief Management Officer
HON	James	McPherson	Under Secretary for the Army, former General Counsel of the Army



DBB Assessment Interviews

Ms	Regina	Meiners	Director, Organizational Policy and Decision Support, Office of the Chief Management Officer
Ms	Jamie	Miller	Former Principal Deputy Assistant Secretary of Defense for Legislative Affairs
HON	Jim	Miller	Former Under Secretary of Defense for Policy
HON	Thomas	Modly	Acting Secretary of the Navy; Under Secretary of the Navy
Mr	Mark	Munson, Sr.	Office of the Chief Management Officer Organization Lead
HON	Paul	Ney	General Counsel of the Department of Defense
HON	David	Norquist	Deputy Secretary of Defense
VADM	Nancy	Norton	Director, Defense Information Systems Agency
HON	Dave	Patterson	Former Special Assistant to the Deputy Secretary of Defense; former Principal Deputy Under Secretary of Defense Comptroller/Chief Financial Officer
Mr	Greg	Pejic	Special Assistant to Deputy Secretary of Defense
LTG	Ronald	Place	Director of the Defense Health Agency
Mr	Robert	Rangel	Former Chief of Staff to the Secretary of Defense
Mr	Michael	Rhodes	Former Director of Administration and Management
Mr	Steve	Rudderham	Head of Global Business Services, Akzo Nobel
HON	Alan	Shaffer	Deputy Under Secretary of Defense for Acquisition and Sustainment
HON	Pat	Shanahan	Former Deputy Secretary of Defense
Ms	Rebecca	Skinner	Associate Secretary of Defence, Australia Department of Defence
Mr	Michael	Stough	Performance Improvement Officer, Department of Homeland Security
Mr	Alex	Thompson	Global Head of Global Business Service (GBS) Procurement, British Petroleum
HON	Mac	Thornberry	Ranking Member, House Armed Services Committee; former Chairman, House Armed Services Committee
Ms	Cynthia	Trudell	Former Executive Vice President, Human Resources and Chief Human Resources Officer, PepsiCo; former Defense Business Board Vice Chair
Mr	Peter	Verga	Deputy Chief of Staff to the Secretary of Defense and Special Assistant to the Secretary and Deputy Secretary of Defense for Compartmented Activities
HON	Margaret	Weichert	Deputy Director of Management, Office of Management and Budget
HON	John	Whitley	Acting Director, Cost Assessment and Program Evaluation
LTG	Darrell	Williams	Director of Defense Logistics Agency
ADM	Sandy	Winnefeld	Former Vice Chairman, Joint Chiefs of Staff
HON	Robert	Work	Former Deputy Secretary of Defense
HON	Roger	Zakheim	Former General Counsel and Deputy Staff Director, House Armed Services Committee



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- 5 U.S.C. §§ 3345 to 3349d (The Federal Vacancies Reform Act of 1998, P.L. 105-277)
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- 10 U.S.C. § 132a. Chief Management Officer
- 10 U.S.C. § 133a. Under Secretary of Defense for Research and Engineering
- 10 U.S.C. § 133b. Under Secretary of Defense for Acquisition and Sustainment
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- 10 U.S.C. § 240d. Audits: audit of financial statements of Department of Defense components by independent external auditors.
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- FY05 NDAA - S.780 to establish a DSD for Management (DSD(M)) DoD had two DSD positions from 1972 until 1977 when the second DSD (which focused on Intelligence) was eliminated and the first Under Secretaries of Defense (USDs) were created. (2005)
- FY06 NDAA (PL.109-163) § 907 directed a report on the feasibility and advisability of the establishment of a DSD(M) (2006)
- FY08 NDAA - SASC introduced a provision which would designate the DSD as the CMO, create a new USD(M)(DCMO) at EX III, and designate the Under Secretaries of the Military Departments as the CMOs of those Departments (2007)
- FY08 NDAA (PL.110-181) § 904 designated the DSD as the CMO; established a DCMO of DoD (2008)
- FY09 NDAA (PL.110-417, section 904) established the Office of the DCMO and added the DCMO to the membership of the Defense Business System Management Committee (DBSMC) and made the DCMO the DBSMC Vice Chairman (2008)
- FY14 NDAA - SASC introduced a provision for the FY 2014 NDAA (S.1197, § 901) to strengthen the DCMO by converting it into the USD(M) at EX III and designating the position as the Chief Information Officer (CIO) of DoD (2014)
- FY15 NDAA - SASC introduced a provision for the FY 2015 NDAA (S.2410, § 901) to strengthen the DCMO by: designating the DSD as the Chief Operating Officer (COO), removing the CMO role; and converting the DCMO into the Chief Management Officer of the DoD (CMO) (2014)
- FY15 NDAA (PL.113-291) § 901 established a USD for Business Management and Information (USD(BM&I)) (2014)
- FY17 NDAA (PL. 114–328) § 901 eliminated the USD(AT&L) and established a USD(R&E) and a USD(A&S). § 911, provided an Organizational Strategy for the Department of Defense; the NDAA also directed 16 significant DoD organization and management actions and studies that directly impact nearly every DoD Component. (2016)
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- DBB FY 06-4 - Creating a Chief Management Officer in the Department of Defense (2006)
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GAO-16-286 (June 30, 2016)

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17-523R (June 23, 2017)

Managing for Results: Further Progress Made in Implementing the GPRA Modernization Act, but Additional Actions Needed to Address
Pressing Governance Challenges, GAO-17-775 (September 29, 2017)



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Defense Management: DoD Needs to Take Additional Actions to Promote Department-Wide Collaboration, GAO-18-194 (February 28, 2018)

Defense Business Systems: DoD Needs to Continue Improving Guidance and Plans for Effectively Managing Investments, GAO-18-130 (April 16, 2018)

Defense Management: DoD Senior Leadership Has Not Fully Implemented Statutory Requirements to Promote Department-Wide Collaboration, GAO-18-513 (June 25, 2018)

Defense Management: DoD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DoD Field Activities, GAO-18-592 (September 6, 2018)

Defense Management: DOD Should Set Deadlines on Stalled Collaboration Efforts and Clarify Cross-Functional Team Funding Responsibilities, GAO-19-598 (August 20, 2019)

Defense Management: DOD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams, GAO-19-165 (January 17, 2019)

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Defense Business Operations: DoD Should Take Steps to Fully Institutionalize the Chief Management Officer Position, GAO-19-199 (March 14, 2019)

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Defense Management: Observations on DOD's Business Reform Efforts and Plan, GAO-19-666 (September 3, 2019)

Defense-wide Working Capital Fund Agencies Apply Most Key Operating Principles but Should Improve Pricing Transparency, GAO-20-65 (Nov 1, 2019)

Defense Management: More Progress Needed for DoD to Meet Outstanding Statutory Requirements to Improve Collaboration, GAO 20-312 (January 30, 2020)

Business Systems Modernization: DoD Has Made Progress in Addressing Recommendations to Improve IT Management, but More Action Is Needed what is preventing a MILDEP-level solution within the existing HPCON guidance, GAO 20-253 (March 5, 2020)



Other Works Consulted

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Senior Executive Service Report (2017)

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CSIS - U.S. Military Forces in FY 2020: The Strategic and Budget Context (2019)
The ADP Research Institute - 2019 State of the Workforce Report: Pay, Promotions and Retention (2019)
CSIS - Getting to Less? The Minimal Exposure Strategy (2020)
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CNAS - Russia's Strategic Debate on a Doctrine of Pre-emption (2017)
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CSBA - Analysis of the FY 2017 Defense Budget (2017)
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CSBA - Sustaining-the-U.S.-Defense-Industrial-Base (2017)
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CNAS - Don't be Fooled by China's Belt and Road Rebrand (2019)

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Other Works Consulted

Strategic Documents (Cont.)

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CSIS - Understanding DoD's Defense-wide Zero-Based Review (2019)
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CSIS - China's 2019 White Paper Response (2019)
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Heritage Foundation - Preparing the U.S. National Security Strategy for 2020 and Beyond (2019)
Institute for the Study of War - The Gray Zone in Conflict (2019)
Mercator Institute for China Studies (MERICS) - China Global Security Tracker No 6 (2019)
RAND - Gaining Competitive Advantage in the Gray Zone (2019)
USAF OEA - PRC Pursuing Rapid Economic Mobilization System for Defense (2019)
USAF OEA - "China Standards" Promotion Foundational Campaign in Beijing's Global Expansion Strategy (2019)
USAF OEA - Beijing's Industrial Internet Policy Promotes PRC Manufacturing, ICT "Global Power Status" (2019)
USAWC SSI - Deterring Russia in the Gray Zone (2019)
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CNAS - Total Competition China's Challenge in the South China Sea (2020)
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Heritage Foundation - China Threat (2020)
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President's Blue Ribbon Commission on Defense Management ("The Packard Commission"), White House (1986)
Overview of National Security Strategy (2009)
2017 National Security Strategy of the United States of America (December 2017)



Previous Studies on DoD Management

DoD management approaches and organizational constructs, specifically the CMO, have been studied in detail for over 35 years. Specific examples...

1985: The Packard Commission
1986: Goldwater-Nichols Reorg
1993: GPRA Law
1997: Study of OSD Org (Donley)
1998: GAO - Reform Initiatives
2002: GAO - Management Reform
2004: The Aldridge Study
2005: DBB Role of CMO
2006: IDA - Does DoD Need a CMO?
2006: DBB Creating a CMO
2007: GAO Success Requires a CMO
2008: CSIS – Invigorating Governance

2010: DoD - Revised Org Structure for OSD
2011: DBB - A Culture of Savings
2011: DoD Strategic Management Plan issued
2012: DoD - Business Transformation
2013: DoD - OSD Org Review (Donley)
2013: DoD - Strategic Choices Management
2014: FY15 NDAA - Est. (USD(BM&I))
2014: GAO - Assessments of Roles and Missions
2016: FY17 NDAA eliminates USD(AT&L)
2016: DBB - Assessment of USD(BM&I)
2018: GAO - Four management studies issued
2019: GAO - Fully Institutionalize CMO



Previous Studies on DoD Management

Table 7: Historical DoD Reform Initiative or Study	Timeframe
The Goldwater-Nichols DoD Reorganization Act	1985
President's Blue Ribbon Commission on Defense Management – Packard Commission	1986
Defense Management Review	1989
Clinger-Cohen Act of 1996 requiring establishment of performance measures on IT	1996
Defense Reform Initiative	1997-1998
Government Accountability Office (GAO): Improved Performance Measures to Enhance DoD initiatives	1999
CSIS Reports: Beyond Goldwater-Nichols Phase II, U.S. Government – Defense Reform for a New Strategic Era; and Phase IV, Invigorating Defense Governance ⁵	2005
Defense Business Board: Creating a Chief Management Officer in DoD	2006
Project on National Security Reform – Forging a New Shield	2008
Quadrennial Roles and Missions Review	2008, 2012
Overview of National Security Strategy – White House	2009
DoD Agency Financial Report for FY15	2015
Quadrennial Defense Reviews	2010
Revised Organizational Structure for the Office of the Secretary of Defense – Report to Congress	2010
Sustainable Defense Task Force, “Debt, Deficits, and Defense: A Way Forward”	2010
2011 Financial Improvement Audit Readiness Guidance (updated in March 2013)	2011
DoD Defense Efficiency Initiatives Directed by SecDef (“Gates Efficiencies”)	2010-2011



Previous Studies on DoD Management

Table 8: Recent DoD Reform Initiative or Study	Timeframe
Secretary of Defense Strategic Choices and Management Review and the 20% Headquarters Reductions	2013
OSD Organizational Review (“Donley Review”)	2013
Defense Security Enterprise Reform	2013
Business Process and Systems Review	2014
Comptroller Cost Framework Initiative	2014
Transforming DoD Core Business Processes	2014
Review of the Total Cost of the Pentagon Reservation Operations	2014
Defense Resale Optimization	2015
Force of the Future	2015
Major DoD Headquarters Activities Reduction	2015
Organizational Delaying	2015
Services Requirements Review Boards on OSD and Associated Defense Agencies and DoD Field Activities	2015
Fourth Estate Business Operations Improvements	2015
Review of the Organization and Responsibilities of the DoD (Revisiting Goldwater-Nichols)	2016
Office of Management and Budget Agency Reform Initiative	2017
Cross Functional Teams	2017
Business Reform Teams	2018



DoD Reform Memoranda

Tab Number	Official Signature	Subject	Date
1	Chuck Hagel SecDef	Strategic Choices and Management Review	March 15, 2013
2	Ashton Carter DepSecDef	20 Percent Headquarters Review	July 31, 2013
3	Ashton Carter DepSecDef	Terms of Reference for the 2013 OSD Organizational Review	August 26, 2013
4	Ashton Carter DepSecDef	Appointment of the DoD Senior Official Charged with Overseeing Insider Threat Efforts	September 25, 2013
5	Robert Work DepSecDef	Implementation Guidance for the Business Process and Systems Review	August 8, 2014
6	Robert Work DepSecDef	Authority to Direct Other Defense Organizations' Financial Improvement and Audit Readiness Efforts	October 25, 2015
7	Robert Work DepSecDef	Terms of Reference-"Transforming Department of Defense Core Business Processes for Revolutionary Change"	October 15, 2014
8	Robert Work DepSecDef	Review of the Total Costs of the Pentagon Reservation Operations	October 7, 2014
9	Robert Work DepSecDef	Defense Resale Business Optimization Board (DRBOB) Charter	February 5, 2016
10	Ashton Carter SecDef	Force of the Future: Maintaining our Competitive Edge in Human Capital	November 18, 2015
11	Robert Work DepSecDef	Cost Reduction Targets for Major Headquarters/ Policy Guidance for Controlling Growth in Major Headquarters (Outside of the Military Departments)	August 24, 2015
12	Robert Work DepSecDef	Hiring Suspension to Ensure Implementation of Organizational Delaying Commitments	February 23, 2016
13	Robert Work DepSecDef	Implementation of Institutional Reform Opportunities	July 24, 2015
14	Terry Halvorsen ADoD CIO David Tillotson III ADCMO	Fourth Estate Working Group Charter	February 9, 2015
15	Robert Work DepSecDef	Review of the Organization and Responsibilities of the DoD	January 4, 2016
16	Mick Mulvaney Dir, OPM	Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce	April 12, 2017
17	Robert Work DepSecDef	Designation of Lead Official for Development Of Plans Pursuant to Defense Reform	May 5, 2017
18	Patrick M. Shanahan DepSecDef	Appointment of Business Reform Leaders for the Department	--



DEFENSE BUSINESS BOARD



6 Task Assessment Back-up

Assessment Backup: GPRA Modernization Act

Created in the GPRA Modernization Act of 2010 (Pub. L.111-352);
applies to all Federal Agencies

Section 1123. Chief Operating Officers

(a) Establishment.—At each agency, the deputy head of agency, or equivalent, shall be the Chief Operating Officer of the agency.

(b) Function.—Each COO shall be responsible for improving the management and performance of the agency, and shall—

(1) provide overall organization management to improve agency performance and achieve the mission and goals of the agency through the use of strategic and performance planning, measurement, analysis, regular assessment of progress, and use of performance information to improve the results achieved;

(2) advise and assist the head of agency in carrying out the requirements of §§ 1115 through 1122 of this title and § 306 of title 5;

(3) oversee agency-specific efforts to improve management functions within the agency and across Government; and

(4) coordinate and collaborate with relevant personnel within and external to the agency who have a significant role in contributing to and achieving the mission and goals of the agency, such as the Chief Financial Officer, Chief Human Capital Officer, Chief Acquisition Officer/Senior Procurement Executive, Chief Information Officer, and other line of business chiefs at the agency.

Section 1124(a) Performance Improvement Officers.—

(1) Establishment.—At each agency, the head of the agency, in consultation with the agency COO, shall designate a senior executive of the agency as the agency PIO.

(2) Function.—Each PIO shall report directly to the COO. Subject to the direction of the COO, each PIO shall—

(A) advise and assist the head of the agency and the COO to ensure that the mission and goals of the agency are achieved through strategic and performance planning, measurement, analysis, regular assessment of progress, and use of performance information to improve the results achieved;

(B) advise the head of the agency and the COO on the selection

of agency goals, including opportunities to collaborate with other agencies on common goals;

(C) assist the head of the agency and the COO in overseeing the implementation of the agency strategic planning, performance planning, and reporting requirements provided under §§ 1115 through 1122 of this title and § 306 of title 5, including the contributions of the agency to the Federal Government priority goals;

(D) support the head of agency and the COO in the conduct of regular reviews of agency performance, including at least quarterly reviews of progress achieved toward agency priority goals, if applicable;

(E) assist the head of the agency and the COO in the development and use within the agency of performance measures in personnel performance appraisals, and, as appropriate, other agency personnel and planning processes and assessments; and

(F) ensure that agency progress toward the achievement of all goals is communicated to leaders, managers, and employees in the agency and Congress, and made available on a public website of the agency.

	COO	PIO	Only exists in DoD	
			CMO	DCMO
Federal Agencies	Deputy Secretary	SES-level	None	None
DoD (prior to CMO)	DSD	DCMO (PAS)	DSD	DCMO (PAS)
DoD (after CMO)	DSD	CMO (PAS)	CMO	DCMO (Non-PAS)



Task 1 Backup: CMO Effectiveness

Evaluating effectiveness requires an understanding of the OCMO's statutory requirements and a methodology to evaluate compliance

OVERALL
Mostly Ineffective

Although the OCMO has made **recent** strides, its overall performance is below expectations. This is due to both external and internal factors

Statute	DBB Assessment Criteria	Score	Assessment Results	Supporting
1. Manage Enterprise Business Operations / shared services (§ 132a.(b)(1))	Lead implementation of Shared Services	Yellow	Category Management only DW/Fed effort implemented	OMB M-16-02
	Talent & resources required	Red	Does not have right mix of skills/talent	Interviews/GAO
	Lead EBO Transformation	Red	Downgraded from "met" in 2017 to partially "met" in 2019	GAO 19-157SP
	Define/transition to BEA	Red	No integrated Business Ent. Architecture	GAO-20-253
Overall score		Red		
2. Establish policies for and direct all EBO for DoD (§ 132a.(b)(2))	EBO Policies established	Red	No policy in place defining EBO/Shared Services	Interviews
	Consistent, measurable EBO processes	Red	No consistent measurable processes/procedures	GAO-19-157SP
	Establish Reform Teams (9)	Red	75% of initiatives never reached implementation phase	GAO-20-312
Overall score		Red		
3. Exercise authority, direction, control for shared services & budget review for DAFAs (§ 132a.(b)(3) (6)(c))	Strategic plan for DAFA/shared services	Red	Currently only SD/CMO Memos defining direction	SD/DSD Memos
	Budget Oversight established	Red	No routinely established effort to assess DAFAs	GAO 18592 NDAA 2020
	Admin control- Perf plans/reviews	Red	Has not conducted effective performance reviews needed to ensure accountability	GAO-17-369 Interviews
Overall score		Red		
4. Direct MilDeps for EBO (§ 132a.(b)(3) (6)(c))	Process in place to direct MilDeps	Yellow	RMG (Reform) forum in place;not attended by decision-makers	RMG Charter Interviews
	Share best practices through BPR	Red	Has enough staff, does not utilize for this task	GAO-19-666
	Implementation/results across MilDeps	Red	Has attempted reform across MilDeps thru RMG	Interviews
Overall score		Red		
5. Minimize duplication of efforts & maximize efficiency (§ 132a.(b)(5))	Re-engineer processes/minimize duplication, max efficiency, effectiveness	Red	Partially but fragmented across the DoD and EBO	GAO-20-312 GAO-20-253 GAO-18-130
	Realize Budget Savings	Red	Savings \$6.7bn vs \$25bn Congressional target. Most savings identified by CMO are outside their lane.	CAPE /COMPT NDAA 2020
	Optimize Business Systems	Red	DOD's bus systems (8 of 12)on GAO High Risk list since 1995	GAO-20-253
Overall score		Red		
6. Establish performance metrics for department entities (§ 132a.(b)(5)) (§ 131.(2))	Process to establish metrics	Yellow	NDBOP established but not used to manage in DoD	GPRA/ Interviews
	Inform /Justify Budget Requests	Red	Budgets not tied to performance	CAPE GAO-19-666
	Leadership Dashboards	Red	None for EBO initiatives	Interviews
Overall score		Red		
7. Review, assess, certify, and report on DAFA budgets (§ 132a.(b)(5))	Review DAFA Budgets	Red	Effort began in Feb 2020	DSD Memo NDAA 2020
	Certify budgets for efficiency & effectiveness	Red	Does not have the staff or resources required	Interviews
	Report to SD		Cannot assess	10USC 132a(6b)
Overall score		Red		

Green Mostly Effective
Yellow Somewhat Effective
Red Mostly Ineffective



Task 1 Backup: CMO Effectiveness

Statue	DBB Assessment Criteria	Assessment Results	Exhibit
1. Manage Enterprise Business Operations (EBO)/shared services (§ 132a.(b)(1) 10 U.S.C. 2222.DBS	Evaluate requirements and lead implementation of enterprise shared services model Note: No policy defining EBO/shared services	YES - Category management - exceeded DoD goals and met OMB goals. DoD is the lead for the federal government so federal goals were also met.	<div>Green</div> <div>Yellow</div> <div>Red</div> <ul style="list-style-type: none"> OMB M-16-02 GAO-19-157SP GAO-19-157SP GAO-20-253 GAO-20-253 Interviews
	Identify opportunities and transform EBO processes in DAFAs and MilDeps unifying business management efforts across the department	NO - GAO noted DoD has not met many of its internal goals and milestones for enterprise business operations reform NO -GAO downgraded the business transformation capacity criterion from “met” in 2017 to partially met in 2019	
	Lead enterprise transformation initiatives		
	Define and transition to Business Enterprise Architecture (managing people, processes and technology)	NO - DoD had not yet integrated its business and information technology architectures, ensure that portfolio assessments are conducted in key areas identified in the GAO Information Technology Investment Management framework, nor develop a skills inventory, needs assessment, gap analysis, and plan to address identified gaps as part of a strategic approach to human capital planning, among other things. NO - DOD’s business systems (8 of 12) have been on GAO High Risk list since 1995	
2. Establish policies for and direct all EBO for DoD (§ 132a.(b)(2)	Develop policy and determine governance structures Create consistent, measurable processes, procedures, and instructions Note: No policy defining EBO/shared services	DoD reported that nine reform teams were pursuing a total of 135 business reform initiatives--104 of these initiatives have not reached the implementation phase	<ul style="list-style-type: none"> GAO-19-165 Interviews
3. Exercise authority, direction, control for DAFAs for shared business services and budget review (§ 132a.(b)(3) (6)(c)	Budget Oversight (not mission /policy)	NO - “DoD” does not comprehensively or routinely assess the continuing need for its defense agencies and DoD field activities (DAFAs) NO - Without a reliable cost estimate that includes a cost baseline, DoD will be unable to determine and accurately report actual savings achieved from its reform efforts	<ul style="list-style-type: none"> GAO 18-592 GAO-19-157SP GAO-17-369 GAO-17-369 <div>Red</div>
	Administrative Control –SES Performance Plans/GPRA A-11: Develop performance measures/conduct performance reviews (OMB A-11)	NO - Performance reviews have not held business function leaders accountable in part because military department performance information was not included in the scope of the reviews [GAO: DoD has not conducted effective performance reviews needed to ensure accountability for achieving results for its business transformation initiatives	

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective

Green
Yellow



Task 1 Backup: CMO Effectiveness

Statue	DBB Assessment Criteria	Assessment Results	Exhibit
4. Direct MilDeps for EBO	Manage EBO reform activities through the Reform Management Group Note: Authority in statute not recognized or utilized within DoD	No – the RMG was established as a decision-making body for Goal 3 Reform. Fora is not attended by high level decision makers, e.g., USDs, MILDEP Secretaries, Joint Staff, as outlined in the RMG Charter. Leaders indicate no decisions are being made so they send a substitute.	<ul style="list-style-type: none"> GAO-19-666 Interviews RMG Charter RMG Decision memos
	As Performance Improvement Officer for DoD, identify and share best practices through BPR	DOD's reform contains the required schedule and cost estimates. However, many of its initiatives are preliminary—intended to collect information for later reforms	
5. Minimize the duplication of efforts and maximize efficiency and effectiveness (§ 132a.(b)(5)) 10 U.S.C. 2222.DBS	Reengineer EBO processes minimizing duplication of efforts, maximizing efficiency, and effectiveness	GAO "cultural barriers and military commanders' reluctance to give up certain responsibilities for determining how and which services were needed to meet their missions hindered DOD's efforts" There is fragmentation and overlap within the DAFAs that provide human resources services to other defense agencies or organizations within DoD. At least six DoD organizations, including three DAFAs, perform human resources services for other parts of the department. One DAFA receives human resources services from all six organizations. Longstanding organizational and management challenges continue to hinder collaboration	<ul style="list-style-type: none"> GAO-20-312 GAO-20-253 GAO-18-130 GAO-13-557 Interviews CAPE Comptroller <p>Red</p> <p>Yellow</p> <p>Red</p>
	Realize budget savings	YES – However, for the most part, since 2017, the "savings" identified by the CMO in various Department documents are for the most part from organizations not related to the responsibilities of the OCMO Partially - DSD directed Defense-wide reviews identified \$5B in savings in FY 19 for FY20.	
	Reduce/optimize the number of DoD Business Systems, licenses, personnel, spaces, contracts	DoD should consistently use the business enterprise architecture to eliminate duplicative systems [Department officials confirmed that no system was denied certification due to lack of business process reengineering assertion even though, according to the act, compliance is a requirement for obligation of funds	

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective



Task 1 Backup: CMO Effectiveness

Statue	DBB Assessment Criteria	Assessment Results	Exhibit
6. Establish metrics for performance among and for all organizations and elements of the department (§ 132a.(b)(5)) (§ 131.(2))	Leadership dashboards (efficiency/effectiveness) with consistent performance measures for enterprise business operations that drive Secretary's performance reviews – NDS-I (SWPR)	The only overall dashboard is the SD/DSD NDS Strategy Goal Implementation Progress, there are none for EBO DoD has not conducted effective performance reviews needed to ensure accountability for achieving results for its business transformation initiatives	<ul style="list-style-type: none"> Interviews GAO-17-369 NDBOP APP <p>Red</p>
	Inform/justify budget requests	Budgets not tied to performance	
7. Review, assess, certify, and report on DAFA budgets	Review DAFA budgets	NO - "DoD" does not comprehensively or routinely assess the continuing need for its defense agencies and DoD field activities	<ul style="list-style-type: none"> GAO 18-592 NDAA 2020 <p>Red</p>
	Certify if budget achieves required levels of efficiency and effectiveness	NO - DAFA Budget certification not comprehensive per Congress - FY20 NDAA directed 3 rd review since FY19 NDAA as well as independent review of the DAFA § 921 report Dec 2019 by GAO.	
	Report to SD on determinations- There has not been sufficient time to asses implementation of the Jan 6 2020 SD memo, however prior two reviews were submitted to the DSD resulting in the DW reviews and Jan 6 2020 memo.	Cannot assess – TBD	

Green	Mostly Effective
Yellow	Somewhat Effective
Red	Mostly Ineffective



Task 1 Backup: Reform Management Group

DoD formed the RMG as a governance body to champion initiatives that reform business practices for greater performance and affordability

Effectiveness: *Uneven, at best*

- Starting point: **October 27, 2017** DSD appointed 7 of 9 Reform Leads, with the final two by January 2, 2018
 - DSD tasked development of transformation plans and to create a 60 day work plan
 - “This plan is to include...performance goals, targets for cost reduction, and redesign of organizations to accomplish revised procedures”
- First RMG meeting: **January 4, 2018** DBB notes senior leader attendance declining over time [GAO 19-157SP]
 - Summer 2017: DSD chaired RMG with CMO and D, CAPE as Co-Chairs
 - Fall 2018: D, CAPE no longer co-chairing
- GAO looked in **September 2018** at 11-month Reform Team progress [GAO 19-165]
 - 9 teams were pursuing 135 initiatives (IT 38, Health 21, Supply Chain 21, Real Property 15, HR 8)
 - 104 of 135 had not reached implementation phase
 - Teams had “lack of resources to full implement approved initiatives” – DoD did not fund 4 of 9 requests
 - Although asserting the reform team’s role in a May 2018 National Defense Business Operations Plan DoD reversed in September 2018, no longer considering these teams as responsive to § 911
- In **November 2018**, CMO officials planned on narrowing the scope of reform efforts
 - Four areas remain of 9 original [GAO-19-157SP]
 - Fourth Estate
 - Information technology
 - Health care
 - DOD’s buying of goods and services (category management)
 - GAO warned of ignoring deemphasized areas, especially Human Resources

FY 2017 NDAA § 911 directed the SD to issue an organizational strategy that identifies critical objectives spanning multiple functional boundaries; establishes cross-functional teams; and streamlines DoD



Task 1 Backup: Reform Management Group

- The DBB notes documentation on 65 RMG meetings (Jan 2018 – Feb 2020) covering 41 decisions requested by Reform Teams with 32 decisions “to pursue” initiatives or implement plans, resulting in 7 business changes [RMG memos].
- In Sep 2018, GAO observed 135 initiatives with 104 not reaching the implementation phase [GAO 19-165]
- These seven business changes include one on consolidated health contracting, five on Fourth Estate IT issues already under OSD components purview, and a decision to consolidate the new contract writing system from the programs of the Army, Air Force, and Navy
- The DBB found that the RMG makes progress where business functions:
 - Have their own appropriation and NDAA direction (e.g., Health Care)
 - Have to do with the IT space
 - Reside mostly in the Fourth Estate [RMG memos]

However, this is done without bringing the SD, DSD, and CMO transformative decisions that confront organizational equities to cross cut business areas or military services regarding the duplication assessment, core functions, and output of the DoD [2017 NDAA, Senate Committee Report Sec. 941]

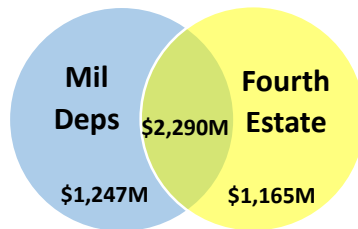


Task 1 Backup: CMO Effectiveness

DoD Identified Savings FY17 to FY19

Budgeted/Programmed Reforms

FY2017 and FY2018

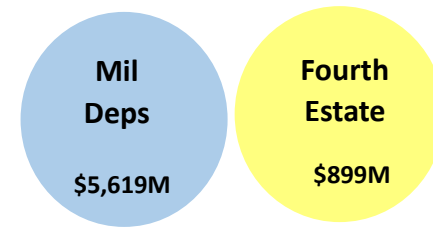


Total: \$4,702M

These are positive savings, but little are from enterprise-wide business transformation

Budgeted/Programmed Reforms

FY2019



Total: \$6,518M

FY17/FY18 Programmed and Budgeted Savings

Re-engineering	\$K
Contract Management	\$491,530.00
IT Reform	\$160,248.00
Business Systems	\$240,092.00
Healthcare Reform	\$590,900.00
Personnel Management	\$2,613,740.00
Acquisition Management	\$553,296.00
Financial Management	\$53,000.00
Grand Total	\$4,702,806.00

FY19 Programmed and Budgeted Savings

Re-engineering / Re-alignments	\$K
Historical Deobligations of Non-Readiness Programs	\$241,300.00
Historical Deobligations of Readiness Programs	\$207,500.00
Navy Reform - Better Use of Resources	\$1,357,496.00
Marine Corps Reform - Better Use of Resources	\$568,869.00
IT - Commodity Management Reform	\$15,587.00
IT - Mission Partner Environment	(\$50,000.00)
IT - MHS Internet Protocol (IP) Connectable Devices Efficiency	\$1,000.00
IT - Wireless Device Management Reform	\$9,778.00
IT - Military Health IT Management Reform	\$26,000.00
Military Health System Major Headquarters Reduction	\$27,021.00
Military Health System TRICARE Long-Term Care	\$97,000.00
Reimbursements	
Military Health System TRICARE Contract Admin Fee Update	\$506,000.00
Military Services - Realign/Re-Phase Investment Programs	\$3,510,410.00
Grand Total	\$6,517,961.00

Source: OCMO



Task 1 Backup: CMO Effectiveness

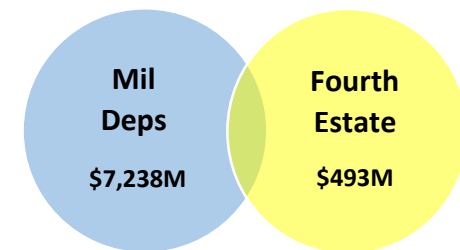
DoD Identified Savings FY20

*Changes/Savings identified are positive, but not Transformative;
the bulk of savings are from MilDeps*

FY20 Programmed and Budgeted Savings

Improvement Lever	Examples within Lever	\$K
Better Alignment of Resources	Bottom Up Review Next Gen Air Dominance (NGAD) DHP Under-execution	
Better Alignment of Resources Total		\$2,144,209.00
Business Process Improvements	Contract Efficiencies Improve Expenditure Efficiency IT Reform	
Business Process Improvements Total		\$2,309,552.00
Business System Improvement	Automation and Equipment	
Business System Improvement Total		\$250,517.00
Divestments	Equipment Divestiture Program Divestments or QTY Reductions	
Divestments Total		\$2,949,276.00
Policy Reform	Civilian Reduction/Realignment	
Policy Reform Total		\$177,925.00
Weapon System Acquisition Process	Contracting Improvements	
Weapon System Acquisition Total		(\$100,618.00)
Grand Total		\$7,730,861.00

Budgeted/Programmed Reforms FY2020



Total: \$7,731M

Source: OCMO



Task 2 Backup: MilDep CMO Perspectives

Effectiveness	<p>CMO oversight is seen as adding no value by the Services</p> <p>The Pentagon has a natural resistance to anything new, especially a new layer of supervision</p> <p>There is a lack of understanding of CMO's role in the building</p> <p>Pentagon culture is one of compliance, yet components don't think the billet has the authority</p> <p>Services believe CMO is not yet effective at implementing its management authorities</p> <p>CMO needs a governance forum that makes decisions; the RMG doesn't work</p> <p>To be effective, CMO needs ownership of business process engineering</p>
Qualifications	<p>Qualifications for CMO need to be (a) experience in the building and (b) strong private sector CEO/COO background</p> <p>Congress hasn't always chosen the right people for the CMO/DCMO role</p> <p>Congress needs to do a better job at recruiting and retaining top talent as leader of business transformation. Should be a term position</p>
Authorities	<p>SecDef should outline CMO's authorities and responsibilities (e.g. General Order)</p> <p>CMO is perceived as having little power by the DAFAs and Services; there is no associated DoD issuance (Directive/Charter)</p> <p>Vest the right authorities, whether in the DSD or CMO. Options:</p> <ul style="list-style-type: none"> • DSD needs an assistant to help find efficiencies • Drive reform through the service COOs and CMOs; hold them accountable • Make the CMO the deputy to the DSD; tailor the CMO organization to meet the mission • CMO function belongs at the DSD level; CMO cannot referee enterprise issues
Fourth Estate Management	<p>CMO currently lacks people, tools and processes to review the DAFA budgets</p> <p>CMO should take on the Fourth Estate under the DSD</p> <p>DAFA focus should be on business transformation. Business processes in many of the DAFAs are broken, duplicative, or inefficient</p> <p>Group the 28 DAFAs into different buckets and start managing like-agencies</p> <p>DAFAs need to be like Services when it comes to budget scrutiny and discipline</p>

Task 3 Backup: Organizational Culture

DoD's organizational culture poses obstacles for serious transformation

Organizational level

- A systemic practice of MilDeps/DAFAs **exercising selective compliance** when they perceive that proposed transformational or budgetary cuts may negatively affect their organization's mission effectiveness¹
- When faced with a directive or transformational mandate they don't agree with, MilDeps /DAFAs often choose to non-comply, because they know that this will benefit their organization and they will then be able to trade compliance in return for something else they want/need. DoD leaders referred to this as a culturally accepted practice of horse trading
 - **The DoD organization of today overwhelmingly recognizes the DSD as the arbiter – and not the CMO – as the DSD controls budget and people**
 - Because the CMO does not have this deal-making ability, the CMO's authorities are diminished and the role's effectiveness is hindered

Individual Employee level

- DoD leaders also recognize that there is a **cultural problem at the individual level**
- Civilian employees remain entrenched in the same role/office for decades and will obfuscate efforts to transform their environment/process in order to keep status quo
 - Top-down business reform efforts may have noble intent and enjoy leadership support, but without implementing the carrot/stick model to bring onboard the rank and file and increasing accountability, no change will take hold
 - Restrictions on terminating DoD civilian employees emboldens these DoD civilians at every level to resist change because its so hard to move or terminate them

1. DoD leaders cannot recall significant repercussions upon Services/Agencies who choose not to recognize the authorities of the CMO.



Task 3 Backup: Organizational Culture

Supporting Studies on sub-standard civilian employee performance at DoD

Rand Study¹

- Study conducted in 2018 by Rand Corporation called Support for DoD Supervisors in Addressing Poor Employee Performance -A Holistic Approach
- Purpose was to look at the effect of a 2017 OMB study that instructed federal agencies to develop actionable, measurable plans to maximize employee performance, including rewards for high performers and penalties for poor performers
- Aside from the OMB's 2017 memorandum, motivation for the study came from the following two facts: (1) that 25 percent of DoD supervisors reported directly supervising at least one poor performer and (2) that roughly 60 percent of these supervisors agreed that a poor performer would negatively affect the ability of other subordinates to do their own jobs

Key Findings: Identified promising policies, procedures, and structures for maximizing employee performance, with emphasis on assisting supervisors of poor-performing personnel. Developed recommendations on how best to support supervisors responsible for managing the poor-performing DoD employees. The framework they present calls for developing, supporting, and professionalizing supervisors in conjunction with assessing and reporting key performance-related outcomes

GAO Study²

- Study conducted in 2016 by GAO called: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance
- Purpose was to examine the rules and trends relating to the review and dismissal of federal employees for poor performance. This report (1) describes and compares avenues for addressing poor performance, (2) describes issues that can affect an agency's response to poor performance, (3) determines trends in how agencies have resolved cases of poor performance since 2004, and (4) assesses the extent to which OPM provides guidance that agencies need to address poor performance

Key Finding: GAO is making four recommendations to OPM to strengthen agencies' ability to deal with poor performers including working with stakeholders to assess the leadership training agencies provide to supervisors

1. Support for DoD Supervisors in Addressing Poor Employee Performance, A Holistic Approach, Rand Corporation, 2018

2. FEDERAL WORKFORCE: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance GAO-15-191: Published: Feb 6, 2015



Task 3 Backup: Reform vs. Transformation

- Each administration typically introduces new leaders who all have a mandate to effect Department reform
- Reform has two distinct focuses: (1) Redesign and (2) Transformation
 - Redesigning a process is much easier than actually transforming/changing a process.
 - Transformation requires strong cultural support that accepts change as necessary to adapt to a new competitive threat and environment
 - The DoD continually initiates new reform efforts after old ones fail
- The root cause of this repetitive cycle is an organizational culture within DoD characterized as¹ ...
 - A non-collaborative culture lacking shared purpose and values
 - Having structure, processes and leadership behaviors that value consensus more than results and reward non-compliance with negotiation and concession
 - Allowing components to easily block, but not advance coherent initiatives and are a powerful disincentive to collaboration
 - Risk averse, arising from fear of the consequences of real or perceived failure and lack of incentives for appropriate risk-taking
 - Lacking viable alternative mechanisms for integrating across the almost exclusively functionally aligned components of the Department

1. Senate Report 114-255 to accompany S. 2943 FY17 NDAA: SASC Additional and Minority Views



Task 4 Backup: GAO Reports Cited

In reviewing many GAO reports, the High Risk lists since 2008, and interview results, the DBB in particular notes:

Congress does not hold DoD accountable for failure to achieve GAO recommendations. To not implement 75% of the recommendations and for there to be no meaningful consequence to the DoD for lack of compliance is an important finding with respect to DoD leadership and culture. TF interviews suggest that leaders do not fear reprisal or accountability that is direct and punitive

Nine cross-functional teams are tasked with driving DoD's business reforms – an important point being how strong is the 'driving' versus teams being assigned responsibilities, but not being held accountable for results. That is either a structural issue, or a leadership issue (all associated elements of the CMO role), or both. The DBB believes it's both. GAO recommendations are being made, yet Congress is not holding the Department accountable for meaningful efforts to address those recommendations. The evidence is overwhelmingly clear that the GAO identified high risk areas in DoD have staying power – the same are on the list year in and year out

The DBB concluded from interviews that the MilDeps and DAFA do not take the CMO or the OCMO seriously. One piece of evidence of this is that the MilDeps are allowed to assign members to the RMG. Are the MilDeps assigning their best people? Are these people empowered to work with the CMO? Are they empowered to make binding decisions of behalf of their MilDep? There seems to definitely be goal-incentive misalignment with the authorities within the Services and the lack of enforcement authority from the CMO to hold the MilDeps and their RMG representatives accountable; not only for attending meetings, but for following through on assigned responsibilities from the RMG



Task 4 Backup: GAO Reports Cited

GAO 20-253 BUSINESS SYSTEMS MODERNIZATION: DoD Has Made Progress in Addressing Recommendations to Improve IT Management, but More Action Is Needed what is preventing a MILDEP-level solution within the existing HPCON guidance – Mar 5, 2020

- GAO is not making any new recommendations in this report (T10 s. 2222)
- As of November 2019, **DoD had not yet implemented eight of the 12 prior recommendations**
 - Establish business system investment management guidance (1/1 implemented)
 - Develop and maintain a business and IT enterprise architecture (0/5 implemented)
 - Ensure business system investment review and certification (3/5 implemented)
 - Other: Ensure a strategic approach to human capital (0/1 implemented)

GAO 20-312 DEFENSE MANAGEMENT: More Progress Needed for DoD to Meet Outstanding Statutory Requirements to Improve Collaboration– Jan 30, 2020

- The SecDef should ensure that the CMO identify and document specific implementation steps to advance a collaborative culture, consistent with our leading practices for mergers and organizational transformations
- NDAA requirements
 - Issue organizational strategy (Complete)
 - Streamline the Office of the Secretary of Defense (Complete) **[For Global Force Management and Acquisition]**
 - Issue guidance on cross-functional teams (Complete)
 - Provide training for cross-functional team members and their supervisors (Not complete)
 - Provide training for presidential appointees (Not complete)
 - Report on the successes and failures of cross-functional teams (Not complete)



Task 4 Backup: GAO Reports Cited

GAO 19-385 DEFENSE STRATEGY: Revised Analytic Approach Needed to Support Force Structure Decision-Making – Mar 14, 2019

- DoD finds difficulty in developing a common "starting point" for force structure analysis
- The military services' analyses largely supported the status quo
- There was no way to compare options and identify tradeoffs across DoD
- GAO recommends that DoD
 - Determine the analytic products needed and update them
 - Provide specific guidance requiring the services to explore a range of alternative approaches and force structures
 - Establish an approach for conducting joint force structure analysis across the department
- The DoD analytic approach **has not provided senior leaders with the support they need to evaluate and determine the force structure necessary** to implement the National Defense Strategy
- **Products are cumbersome and inflexible**
- **Analysis does not** significantly **deviate** from services' programmed force structures or **test key assumptions**
- DoD **lacks joint analytic capabilities** to assess force structure [to evaluate] competing force structure options and cross-service tradeoffs, **the department has not conducted this type of analysis because it lacks a body or process to do so**
- "...according to service officials, due to competing priorities **they believe they can generally only affect marginal changes** in their budgets from year to year and have limited analytic capacity" [18]
- "**unless directed to by senior leaders**, service officials told us that they **typically do not use their limited analytic resources** to conduct sensitivity analysis or explore alternative approaches" [18]
- "...the **services have been reluctant to conduct or share boundary pushing analyses** through SSA for fear that they will jeopardize their forces or limit their options." [26]



Task 4 Backup: GAO Reports Cited

GAO-19-199 DoD Should Take Steps to Fully Institutionalize CMO Position - Mar 14, 2019

- DoD has not fully addressed three key issues related to the CMO's authorities and responsibilities
 - The CMO's authority to direct the military departments on business
 - The CMO's oversight responsibilities of the Defense Agencies and DoD Field Activities (DAFAs)
 - Transfer of responsibilities from the Chief Information Officer to the CMO
- Recommendations
 - The Secretary of Defense should ensure that the **Deputy Secretary of Defense makes a determination as to how the CMO is to direct the business-related activities of the military departments**
 - The Secretary of Defense should ensure that the Deputy Secretary of Defense makes a determination regarding the CMO's relationship with the DAFAs, including whether additional DAFAs should be identified as providing shared business services and which DAFAs will be required to submit their proposed budgets for enterprise business operations to the CMO for review
 - The Secretary of Defense should ensure that the CMO and Chief Information Officer (CIO) conduct an analysis to determine which responsibilities should transfer from the CIO to the CMO, including identifying any associated resource impacts, and share the results of that analysis with the Congress.
 - The Secretary of Defense should ensure that the Deputy Secretary of Defense, on the basis of the determinations regarding the CMO's statutory and discretionary authorities, **codify those authorities and how they are to be operationalized in formal department-wide guidance**
- Reiterates previous recommendation that DoD should have a chief management officer (CMO) with significant authority to help reduce inefficiencies and save billions of dollars
- Identifies need for a CMO to **sustain progress on "DoD high risk series"**—reiterates GAO-05-207
- Although strengthening in data capabilities DoD has mapped a **cost baseline for only half** of Business Support Areas—**it takes 300 days to create a cost baseline for each line of business**
 - Complete: Real property, Health Care, IT; In-progress: supply chain, financial management
 - Projected 2019-2020 :acquisition, community services, human resources, and science and technology



Task 4 Backup: GAO Reports Cited

GAO-19-666 Defense Management: Observations on DOD's Business Reform Efforts and Plan - Jan 17, 2019

- 2019 NDAA established requirements for DoD to reform its enterprise business operations
- Section 921 required the SecDef to submit to the congressional a plan, schedule, and cost estimate for reforms of DOD's enterprise business operations to increase effectiveness and efficiency
- DoD provided limited documentation of progress in implementing its 921 plan
- DoD **reported cost savings from broader reform efforts but provided limited documentation**
- DoD has not fully funded some of the initiatives in its 921 plan
- GAO previously made eight recommendations related to DOD's reform initiatives from 3 prior reports

GAO 19-165 Defense Management: DoD Needs to Implement Statutory Requirements and Identify Resources for Its Cross-Functional Reform Teams - Jan 17, 2019

- Fourth report: 2017 NDAA § 911 – Jan 17, 2019
- **Nine cross-functional teams are driving DOD's enterprise business reform** ...but the teams' progress has been uneven
- September 2018, DoD reported that these nine teams were pursuing a total of 135 business reform initiatives.
 - 104 of these initiatives have not reached the implementation phase
 - DoD did not fulfill four of nine funding requests from the teams in FY18 to implement initiatives
- As of September 2019 "DoD Plans to Establish One Cross-Functional Team, Disestablish Another, and **Will No Longer Consider Nine Business Reform Teams as Responsive to Section 911**"

Recommendation: The Secretary of Defense ensure that the CMO establishes a process for identifying and prioritizing funding to develop and implement initiatives from the cross-functional reform teams



Task 4 Backup: GAO Reports Cited

GAO-19-157SP HIGH-RISK SERIES – Mar 6, 2019

- *Reform team membership relies on the military services' and DAFAs' continued willingness to provide members for each of the teams*
- DoD senior leaders told us they plan to move many of the teams out of the OCMO to the components responsible for the functions they are trying to reform
- *This development raises questions about whether the teams will be fully empowered and sufficiently independent to drive change*

GAO 19-165 – Jan 17, 2019

- One senior DoD official involved in the *reform* effort acknowledged that the teams' progress has been uneven
- He cited numerous factors that can affect implementation, *including the degree to which the teams have support from the highest levels of department leadership to operate independently and advance changes that may be unpopular with internal or external stakeholders*, and the *ability of teams to tackle longstanding systemic challenges*, such as *inaccurate cost data throughout the department*
- This official and several teams we met with cited the importance of the team leader's commitment to driving team success



Task 4 Backup: GAO Reports Cited

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas - Mar 6, 2019

- The structure and processes and the *involvement of a key leader on DOD's Reform Management Group (RMG) have changed and remain unclear*
- GAO *downgraded the capacity criterion from met in 2017 to partially met* in 2019
- DOD's budget request for OCMO has declined from FY 2017 to FY 2019. At the same time, the CMO's authorities and responsibilities have expanded [2018 NDAA and 2019 NDAA responsibilities]
- Reform teams have encountered challenges that could impede their progress (initiative funding)
- "Met" action plan hit from 2017 High Risk issue w/ 2018 National Defense Business Ops Plan
- *RMG in summer 2017 was initially chaired by DSD and co-chaired by the CMO and CAPE* -- October 2018, the Director of *CAPE* told us, he was *no longer co-chairing the group*
- Without a reliable cost estimate that includes a cost baseline, DoD will be unable to determine and accurately report actual savings achieved from its reform efforts
- DoD established nine functional reform teams in February 2017:
 - "it remains to be seen how effective these reform teams, or...reform initiatives" become;
 - DoD has not met many of its internal goals and milestones for business operation reform; and
 - Absence of a clear process for identifying and prioritizing available funding for reform teams may impede progress
- *In November 2018, CMO officials told us they planned on narrowing the scope of reform efforts* to focus on four areas:
 - Fourth Estate;
 - Information technology;
 - Health care; and
 - DOD's buying of goods and services called category management.
- *GAO warns of ignoring deemphasized areas, especially Human Resources*



Task 4 Backup: GAO Reports Cited

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas - Mar 6, 2019

“In order to make progress in ...business transformation, DoD should:”

- ***Provide department-wide guidance on the CMO's roles, responsibilities, and authorities;***
- Implement and communicate a process for providing resources to the reform teams, including funding to implement reform initiatives, as needed;
- Demonstrate that the National Defense Business Operations Plan is being used and updated, as needed, to guide reform efforts;
- ***Ensure that the Reform Management Group continues to monitor and oversee reform team progress;***
- Fully populate and actively use the dashboard and the associated milestones and metrics to gauge team success in identifying and achieving efficiencies and cost savings;
- Establish the cost baseline required by § 921 of the John S. McCain NDAA for Fiscal Year 2019 and use it to accurately estimate savings anticipated within the business functions covered under the NDAA;
- Develop additional cost baselines, modeled on the baseline created in accordance with the NDAA for Fiscal Year 2019, to accurately track actual savings resulting from implementation of reform initiatives in additional business functions, such as health care management;
- ***Effectively consolidate key business functions in the department and show cost savings from the consolidation;*** and
- Demonstrate progress in implementing reform efforts outlined in the National Defense Business Operations Plan, including those not covered by the reform teams



Task 4 Backup: GAO Reports Cited

GAO 19-94 STREAMLINING GOVERNMENT: OMB and GSA Could Strengthen Their Approach to Implementing a New Shared Services Plan - Mar 7, 2019

- The federal government can reduce duplicative efforts and free up resources for mission-critical activities by consolidating mission-support services that multiple agencies need such as payroll or
- ***Migrating to a shared services provider has not consistently increased cost savings, efficiencies, or customer satisfaction***, according to **OMB** and others who have observed these migrations
- Challenges that hamper efforts to establish effective and efficient shared services
 - Governance: Limited interagency collaboration, difficulty reconciling benefits and trade-offs, and limited oversight and technical support for shared services migrations
 - Marketplace: Difficulty obtaining funding to invest in shared services, demand uncertainty among providers, and limited choices for customers
- GAO noted the inability of some Federal Government agencies to realize shared services savings due to
 - ***The balkanization of IT as a barrier to customer-supplier relationships and inadequate cost-benefit analysis***
 - ***Integration deficiencies due to using stove piped “line of business” frameworks for cross-cutting initiatives***
- ***Setting consistent standards for data and systems can lead to benefits*** for shared services customers as well as providers. For example, ***the ability to meaningfully aggregate or compare data*** across the federal government increases as more agencies adopt common or standardized data elements or processes
- ***The Lines of Business governance structure limited collaboration across different mission support areas***
- GAO made 4 recommendations to OMB including the implementation of a process for collecting and tracking cost-savings data that would allow them to assess progress toward the shared services cost-savings goal of an estimated \$2 billion over 10 years



Task 4 Backup: GAO Reports Cited

GAO 18-592 Defense Management: DoD Needs to Address Inefficiencies and Implement Reform across Its Defense Agencies and DoD Field Activities – Sep 6, 2018

- *DoD does not comprehensively or routinely assess the continuing need for its defense agencies and DoD field activities (DAFAs)*
- DoD is statutorily required to *ensure there is a continuing need for each and that the provision of services and supplies by each DAFA, rather than by the military departments*, is more effective, economical, or efficient
- *There is fragmentation and overlap within the DAFAs that provide human resources services to other defense agencies or organizations within DoD. At least six DoD organizations, including three DAFAs, perform human resources services for other parts of the department. One DAFA receives human resources services from all six organizations.*
- The Secretary of Defense should ensure that the Chief Management Officer (CMO) develops internal guidance that defines the requirements and provides clear direction for conducting and recording reviews of the Defense Agencies and DoD Field Activities in response to 10 U.S.C. § 192(c).
- This guidance, which could be similar to the guidance that exists for assessments of the combat support agencies, should reflect the key elements of quality



Task 4 Backup: GAO Reports Cited

GAO-18-513 DoD Senior Leadership Has Not Fully Implemented Statutory Requirements to Promote Department-Wide Collaboration – Jun 25, 2018

- Third report: 2017 NDAA § 911– June 25, 2018
 - (1) DoD had established 10 cross-functional teams that were in various stages of implementation
 - (2) DoD had updated, but not issued, its draft organizational strategy
 - (3) DoD had not fulfilled three statutory requirements related to guidance and training for cross-functional teams and presidential appointees

GAO 18-194 DEFENSE MANAGEMENT: DoD Needs to Take Additional Actions to Promote Department-Wide Collaboration – February 28, 2018

- Second report: 2017 NDAA § 911 – Feb 28, 2018
 - (1) DOD's draft organizational strategy did not address all elements required by statute
 - (2) DoD had established one cross-functional team, and that draft team guidance addressed most statutory elements and leading practices for implementing cross-functional teams
 - (3) DoD had developed, but not provided, training for its presidential appointees and cross-functional team members, but the training for the presidential appointees did not address all statutory requirements



Task 4 Backup: GAO Reports Cited

GAO 17-523R DEFENSE MANAGEMENT: DoD Has Taken Initial Steps to Formulate an Organizational Strategy, but These Efforts Are Not Complete - Jun 23, 2017

- First report: 2017 NDAA § 911– Jun 23, 2017
- DoD was exploring options for providing the required training to presidential appointees;
- DoD awarded a contract for a study on leading practices for cross-functional teams
- DoD was taking initial steps to develop an organizational strategy

Section 911 directed the SecDef to:

Formulate and issue an organizational strategy for DoD. The organizational strategy, the act stated, should identify the critical objectives and other organizational outputs that span multiple functional boundaries and would benefit from the use of cross-functional teams to **ensure collaboration and integration** across the department. (Dec 23, 2016)

Committee Report Language

Sec 941. The **committee stresses that the mission teams must remain small and agile**, numbering approximately 8–10 people. **This is a critical point. One way that teams fail in DoD is** that every organization that thinks its equities might be affected insists on having a representative on the group. **This bloats and infiltrates the group with people who only care about protecting their parent organizations' equities.**
<https://www.congress.gov/114/crpt/srpt255/CRPT-114srpt255.pdf>

As of: 18 Feb 20



Task 4 Backup: GAO Reports Cited

GAO 17-369 DoD Actions Needed to Address Five Key Mission Challenges - Jun 13, 2017

- DoD faces five key challenges that significantly affect the department's ability to accomplish its mission
 - Rebalance forces and rebuild readiness
 - Mitigate threats to cyberspace and expand cyber capabilities
 - Control the escalating costs of programs, such as certain weapon systems acquisitions and military health care, and better manage its finances
 - Strategically manage its human capital;
 - **Achieve greater efficiencies in defense business operations**
- *Lack of sustained leadership involvement: **More than 9 years after Congress designated the Deputy Secretary of Defense as the Chief Management Officer** and created the Deputy Chief Management Officer position to provide leadership over the department's business functions, **all of DOD's business areas remain on our High-Risk List—areas that are vulnerable to waste, fraud, or mismanagement***
- DoD has not conducted effective **performance reviews needed to ensure accountability for achieving results of its business transformation** initiatives
- Since 2008, DoD has made some progress in sustaining leadership over its business functions, including developing specific roles and responsibilities for the CMO and DCMO and establishing a senior-level governance forum co-chaired by the DCMO and the DoD Chief Information Officer to oversee the department's business functions. **However, DoD has had challenges retaining individuals in some of its top leadership positions, and significant work remains to address long-standing challenges in the management of DOD's business functions**



Task 4 Backup: GAO Reports Cited

GAO 17-317 HIGH-RISK SERIES: Progress on Many High-Risk Areas, While Substantial Efforts Needed on Others – Feb 17, 2017

- GAO added DoD's overall approach to managing business transformation as a high-risk area in 2005 because DoD ***had not taken the necessary steps to achieve and sustain business reform on a broad, strategic, department-wide, and integrated basis***
- DoD's historical approach to ***business transformation has not proven effective in achieving meaningful and sustainable progress*** in a timely manner
- DoD had not established clear and specific management responsibility, accountability, and control over business transformation-related efforts and applicable resources across business functions
- DoD did not have an integrated plan for business transformation with specific goals, measures, and accountability mechanisms to monitor progress and achieve improvements
- The DoD has faced ***organizational, management, and cultural challenges*** that can limit effective and efficient collaboration across the department to accomplish departmental objectives

DoD Should

- ***Hold business function leaders accountable for diagnosing performance problems and identifying strategies for improvement;***
- Lead ***regular DoD performance reviews regarding transformation*** goals and associated metrics and ensure that ***business function leaders attend these*** reviews to facilitate problem solving
- Develop a corrective action plan that identifies initiatives to address root causes, including critical links that must be present among the initiatives, and the processes, systems, personnel, and other resources needed for their implementation with tradeoffs, priorities, and sequencing
- Refine the performance action plan or develop a corrective action plan that identifies initiatives to address root causes, including critical links that must be present among the initiatives, and the processes, systems, personnel, and other resources needed for their implementation



Task 4 Backup: GAO Reports Cited

GAO 15-191 FEDERAL WORKFORCE: Improved Supervision and Better Use of Probationary Periods Are Needed to Address Substandard Employee Performance - Feb 6, 2015

- Report noted *the time and resource commitment needed to remove a poor performing permanent employee can be substantial* due to concerns over internal support, lack of performance management training, and legal issues
- GAO found *Federal agencies have three avenues* to address employees' poor performance:
 - Day-to-day performance management activities
 - Probationary periods
 - Formal procedures
- GAO recommended that *OPM improve supervisor training and review probationary periods*
 - Improve supervisor training
 - Agencies build a well-qualified cadre of supervisors capable of effectively addressing poor performance
 - Review fit of probationary period to type and complexity of work



Task 4 Backup: GAO Reports Cited

GAO 13-557 DoD BUSINESS SYSTEMS MODERNIZATION: Further Actions Needed to Address Challenges and Improve Accountability - May 17, 2013

- Findings:
 - DoD continues efforts to establish a business enterprise architecture (a modernization blueprint) and transition plan and modernize its business systems and processes in compliance with the **FY 2005 NDAA**
 - The **OCMO has yet to determine and follow a strategic approach to managing its human capital needs**, thus limiting its ability to, among other things, effectively address the act's [FY 2005 NDAA] requirements
- **These limitations put the billions of dollars spent annually on approximately 2,100 business system investments that support DoD functions at risk**
- **DoD continues to develop content for its business enterprise architecture**, such as business rules, and is proceeding with efforts to extend the architecture to its components. However, even though **DoD has spent more than 10 years and at least \$379 million on its business enterprise architecture**, its ability to use the architecture to guide and constrain investments has been limited by, among other things, the lack of a detailed plan
- To date, the **DoD has not implemented 29 of the 63 recommendations that GAO has made** in these areas
- **Until DoD implements GAO recommendations and addresses the weaknesses** described in this report, **it will be challenged in its ability to manage the billions of dollars invested annually** in modernizing its business system investments



Task 4 Backup: GAO Reports Cited

GAO 08-034 ORGANIZATIONAL TRANSFORMATION Implementing Chief Operating Officer/Chief Management Officer Positions in Federal Agencies - Nov 1, 2007

- Determine the type of COO/CMO or similar position that ought to be established in federal agencies
- Strategies for implementing COO/CMO positions to elevate, integrate, and institutionalize key management functions and business transformation efforts in federal Agencies
- Study reviewed Treasury, IRS, Justice and Massachusetts Institute of Technology
 - Assistant Secretary for Management at **Treasury**
 - Deputy Commissioner for Operations Support at **IRS**
 - Assistant Attorney General for Administration at **Justice**
 - Executive Vice President at **MIT**
- Criteria **to implement** CMO/COO in Federal Government
 - The history of organizational performance (**management weakness, project failure rates**)
 - Degree of organizational change needed (challenge of reorganizing **and integrating disparate organizational units or cultures**)
 - Nature and complexity of mission (range, risk, and scope of the agency's mission)
 - Organizational size and structure (such as the number of employees, geographic dispersion of field offices, number of management layers, types of reporting relationships, and degree of centralization of decision-making)
 - Current leadership talent and focus (**the extent of knowledge and the level of focus of the agency's managers on management functions and change initiatives**, and the number of political appointees in key positions)
- Criteria to determine what type of CMO/COO position
 - Existing deputy (**for stable or small organizations**)
 - Undersecretary or other official reporting to deputy (to lead **Business Transformation**)
 - Second deputy (for a large and complex organization undergoing a **significant transformation to reform long-standing management problems**)



Task 4 Backup: GAO Reports Cited

T-NSIAD/AIMD-98-122 DEFENSE MANAGEMENT: Challenges Facing DoD in Implementing Defense Reform Initiatives – Mar 13, 1998

- 1998 Testimony Before the Subcommittee on Military Readiness, Committee on National Security, House of Representatives
- Underlying causes of systemic management problems
 - *Cultural barriers and service parochialism that limit opportunities for change;*
 - *The lack of incentives for seeking and implementing change;*
 - The *lack* of comprehensive and *reliable management data for making decisions* and measuring program costs and performance;
 - The lack of clear, results-oriented goals and performance measures, in some cases;
 - Inconsistent management accountability and follow through
- No plan to address these problems, DoD needs to ensure that
 - Implementation plans for each level of the organization include goals, performance measures, and time frames for completing corrective actions;
 - Identify organizations and individuals accountable for accomplishing specific goals; and
 - Fully comply with legislative requirements of the *Chief Financial Officers Act*, the Government Performance and Results Act, the Paperwork Reduction Act, and the 1997 *Clinger-Cohen Act*



Task 5 Backup: Best practices

2018 National Academy of Public Administration observations provided the main lessons learned in regards to public/private sector best practices

Alignment of Enterprise Business Operations with and Public sector best practice:

- CMO's **requirement** to implement shared services model **has not occurred**
- ***Voice of Customer*** and ***Service Level Agreement standards*** have not been implemented

Best Practice	Public Sector
Distinct unit: Continuous high-level political and career leadership support must be maintained	The Shared Service Center (SSC) is a separate organizational unit that has strong governance in place that gives customers a voice in service delivery.
Customer Centered Processes: The “Voice of the Customer” is often missing	The users of shared services as viewed as customers and business partners who rely on outcomes of business processes.
Defined Service Expectations: Mission focus and performance measures should tie shared services frameworks to improvements in mission delivery	Service delivery is managed through formal service-level agreements (SLAs) that define the responsibilities of both the SSC and its customers, with metrics and costs for performance.
Performance Driven Culture: The Federal marketplace should provide greater opportunities for commercial service providers to bring investment, scale, and innovation	The SSC workforce is evaluated based on metrics and feedback regarding how well the business processes are functioning, all the way down to the individual SSC employee level, to foster continuous improvement.
End-to-End Ownership: Shared services is a transformation of the agency, workforce, and technology	The SSC manages the critical business processes behind the services it provides and monitors controls and compliance to established standards.



Task 5 Backup: Best practices

Main lessons learned in regards to public/private sector best practices

Best Practice	Private	Public	DoD	Remarks
Mission: Drive efficiencies and create new capabilities	Green	Yellow	Yellow	Similar expectations on role. All expected to drive efficiencies and overall performance. Also, free up capital to either invest in new initiatives or improve profitability.
Focus: Lead shared service transformation	Green	Green	Red	Private/Public roles are tasked with leading enterprise-wide shared services model. DoD OCMO does not lead such initiatives
Structure: CMO Role reports to top executive (CEO or SD)	Green	Green	Yellow	CEO reporting is new trend in private sector. Private sector role reports to CFO in cost-focused or early stage shared services models. USG agencies vary. Per §132a.(b) of title 10 the CMO is "Subject to the authority, direction, and control of the Secretary of Defense and the Deputy Secretary of Defense,..." yet in practice the CMO reports to the DSD.
Ownership: Control Shared Services and related capabilities	Green	Red	Red	Private sector shared services own the operations of the functions in their domain. They own the people, tools and budgets. In the Public sector and DoD, the CMO only influences.
Performance: Use benchmarks against peer competitors to improve and enhance	Green	Red	Red	Both organizations have peer competition. Private sector closely tracks competitive capabilities and designs strategy and R&D to match. DoD does not benchmark internal processes against any peer (private or foreign nation). NAPA contributors cite "Voice of Customer"
Data: Focus/Utilizes a single, reliable source for data	Green	Yellow	Yellow	Private sector is relentless about getting to a single source of trusted data. Master Data Management is often under shared services. NAPA literature highlights "end-to-end" ownership.
Analytics: Ownership and leverage of data enterprise-wide	Green	Red	Red	Private sector typically owns this in shared services while in public sector and DoD, the responsibilities are split between CMO and CIO.

- Mission
 - Purpose/Tasks
 - Report-to
- Aligns with private best practices

- Lead/Manage Shared Service initiatives
 - Benchmark industry/peer competition
 - Estab. and focus on a single data source
- Does **NOT** align with private best practices

Green	Mostly Effective Implementation
Yellow	Somewhat Effective Implementation
Red	Mostly Ineffective Implementation





Task 5 Backup: UK and AU CMOs



United Kingdom

- The Permanent Secretary (equivalent to U.S. DSD) is a new position created because the management of the defense enterprise was not working well
- The Ministry of Defense's (MoD) Chief Operating Officer (COO) is a civil service administrative appointment with a performance contract, but no term limit. He focuses on the MoD's business transformation efforts, and reports directly to the Permanent Secretary
- The MoD COO is roughly equivalent to the DoD CMO
- The MoD COO focuses on four key areas:
 - 1) How we acquire equipment
 - 2) How we enable our digital capabilities
 - 3) How we manage the workforce both military and civilian.
 - 4) How the logistics and support functions work
- MoD divides transformation into three parts: delivery, strategy and portfolio
- The COO was created to take on tasks that the Permanent Secretary was too overwhelmed handle
- The COO was tasked in 2010 with making the organization smaller – identified tech improvements to create efficiency resulting in reduced numbers. The COO did not start with numbers cuts. The gained efficiencies resulted in numbers cuts
- 12 Agencies' accounting (budget) officers report through the COO to the Permanent Secretary

Australia

- The Minister of Defense for Australia is similar to the DoD SD for the U.S. and is politically appointed. The AU Secretary of Defense, similar to the role of DoD's DSD, is a bureaucratic appointment and is a civil servant serving for 5 years
- The AU MoD reviewed the defense enterprise in 2016. The result of that review was the strengthening of the role of the Associate Secretary (CMO)
- The Associate Secretary (CMO) is appointed by the Secretary of Defense and is not bound by time
- The enterprise governance committee led by the Associate Secretary drives transformational change across the organization and is made up of all the group heads and the Joint Capability Commander
- AU uses shared services as much as possible. Formerly had three prongs; Capability, IT and an Integrating Plans. Now has only one Integrated Investment Plan
- The Associate Secretary drives transformation horizontally
- Ten organizations and functions report to the Associate Secretary: CIO, Chief People Officer, The Head of Defense State Infrastructure, The Chief Finance Officer, The chief Security Officer, The Head of the organizations Governance Reform, The head of General Council, The other Control Functions such as the Audit Function and Contestability Function
- The Associate Secretary also administrators the military justice system



Task 6 Backup: Responsibilities and Authorities

RESPONSIBILITIES AND AUTHORITIES	STATUTORY	DESIGNATED, DELEGATED	DSD/COO	CMO	OTHERS	COMMENTS
Policy, direction, and management of all DoD enterprise business operations (EBO)/shared services	10 U.S.C. 132a (CMO)	Oct 27, 2017 DSD Memo	X	X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities
Minimize duplication, maximize efficiency and effectiveness, and establish DoD performance metrics	10 U.S.C. 132a (CMO)		X	X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities
Authority, direction, and control of DAFAs providing shared business services as determined by SD	10 U.S.C. 132a (CMO)		X	X	PSAs	Overlaps PSA responsibilities. Business services covered have not been determined by SD
Review and certify DAFA budgets that achieve efficiency and effectiveness for EBO	10 U.S.C. 132a (CMO)		X	X	PSAs	Overlaps PSA responsibilities
Authority to direct MilDeps and heads of other DoD elements with regards to CMO responsibilities under this section	10 U.S.C. 132a (CMO)		X	X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities. Powers not exercised; no CMO issuance/charter. DSD makes tradeoffs
Review efficiency/effectiveness of DAFAs. Submit report on compliant DAFAs, plan for non-compliant DAFAs, and recommendations to consolidate MilDep functions into DAFAs	10 U.S.C. 192 (DAFA Oversight)		X	X	MilDeps, PSAs	Overlaps PSA and MilDep responsibilities. DSD makes tradeoffs
Maintain Financial Improvement and Audit Remediation (FIAR) Plan	10 U.S.C. 240b (FIAR Plan)			X	USD(C), MilDeps	Overlaps USD(C) and MilDep FM responsibilities who provide plan/briefings
Issue Defense Business System (DBS) guidance. Develop and maintain Defense Business Enterprise Architecture; document common business enterprise data; and co-chair Defense Business Council (DBC) with CIO	10 U.S.C. 2222 (DBS)			X	USD(A&S), USD(C), CIO, MilDeps	Overlaps USD(A&S), USD(C), MilDeps, and dual ownership of DBC with CIO
Designated as Performance Improvement Officer (PIO). Conduct performance planning, analysis, and assessment	31 U.S.C. 1124 (PIO)	Jan 31, 2008 DSD Memo		X	MilDeps, PSAs, DW	Overlaps PSA, MilDep, and DW Lead responsibilities. DSD role, but not actively engaged across DoD
IT Portfolio, Program, and Resource reviews. For DoD, CMO conducts annual review of DoD business systems only	40 U.S.C. 11319d (IT Review)			X	CIO, USD(A&S)	Overlaps CIO and USD(A&S) responsibilities
Develop consolidated budget for Defense-wide accounts		Jan 6, 2020 SD Memo	X	X	PSAs, DW, CAPE, USD(C)	Overlaps PSAs, CAPE, USD(C), and DW Lead responsibilities. DSD makes tradeoffs
Oversight: Intelligence Oversight, Defense Privacy and Civil Liberties, Regulatory and Advisory Committee		ATSD(IO)		X		Duties formerly of ATSD(IO), but became CMO's
Administration and Org Policy: WHS, PFPA, Org Policy		D, A&M		X		Duties formerly of D, A&M, but became CMO's



Task 6 Backup: Responsibilities and Authorities

CMO authorities **significantly overlap** with those of DSD/COO, PSAs, Service Secretaries/MilDeps, and other Defense-wide (DW) Leads, which causes confusion as to in whom the responsibility and authority lies

	EBO/Shared Services	Performance Metrics	ADC of DAFA Services	Certify DAFA Budgets	Direct MilDep DoD Elements	Review DAFAs	FIAR Plan	DBS Guidance DBEA/DBC	PIO Functions	IT Portfolio Management	Consolidated DW Budgets	Intelligence Oversight	Admin and Org Policy
CMO	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red
DSD/COO	Red	Red	Red	Red	Red	Red	Grey	Grey	Grey	Grey	Red	Grey	Grey
PSAs	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Red	Grey	Grey
MilDeps	Red	Red	Grey	Grey	Red	Red	Red	Red	Red	Grey	Grey	Grey	Grey
DW Leads	Red	Red	Grey	Grey	Red	Grey	Grey	Grey	Red	Grey	Red	Grey	Grey

Department-wide budget trade-offs are **made at DSD-level** or above; despite its statutory authority, CMO does not make **major budgetary decisions**



Red Significant Overlap in authorities and/or responsibilities

Grey No overlap in authorities and/or responsibilities noted



DEFENSE BUSINESS BOARD



DAFA/DW and DWCF Back-up

DAFA Backup: Definitions and Assumptions

Definitions:

Administrative Control (ADCON): Direction or exercise of authority over subordinate or other organizations with respect to administration and support, including organization of MilDeps/Service forces, control of resources and equipment, personnel management, unit logistics, individual and unit training, readiness, discipline, and other matters not included in operational mission. (JP 1)

Operational Control (OPCON): The authority to perform those functions of command over subordinate forces involving organizing and employing commands and forces, assigning tasks, designating objectives, and giving authoritative direction necessary to accomplish the mission. (JP 1)

Administrative matters: Organization, resourcing and equipping, personnel management, logistics, individual and unit training, readiness, discipline, budget execution and tracking, and other matters not included in operational mission.

Program, Budget, and Financial Management: Plan for allocation of resources (manpower and TOA) to mission requirements through the first year (Budget) and four additional years (Program) – submitted as a POM or BES. Execute financial management policies, internal controls, audit strategies and plans, guidance, data processes, and systems requirements.

Assumptions:

- Authority, direction, and control, maximally prescribed, equate to full ADCON plus OPCON
- The SD has broad latitude to realign resources, functions, authorities, and organizations within the Department
- Scope is limited to the 28 DAFA, established pursuant to § 191 of Title 10
- This proposal does not initially contemplate the internal reorganization or elimination of any of the 28 DAFA individual DAFA, but focusses on processes, authorities, and organizational structures over the DAFA for enhanced resource management and control
- For the long term, SD should conduct an assessment to consider how to streamline, consolidate, eliminate, and restructure the DAFA



DAFA Backup: The Fourth Estate

The term "Fourth Estate" was coined by David "Doc" Cooke in the 1990s to describe ALL activities outside of the Military Departments. It described those organizations/activities (e.g., Combatant Commands (CCMDs)) that had been pulled out of the MilDeps by Goldwater-Nichols

- Goldwater-Nichols shifted the Department's organizational structure from 3 DoD Components (MilDeps) to 7 categories of DoD Components (identified in DoD Directive 5100.01, "Functions of the Department of Defense and Its Major Components"):

OSD / JCS and JS / OIG DoD / CCMDs / MilDeps / DAFA

- Today there are **45 autonomous and independent DoD Components**
- To minimize the burden on the SD, Goldwater-Nichols directed that the DAFA would report to the SD through a senior official in OSD or the CJCS, who would exercise authority, direction, and control (ADC) over the DAFA Director. But, each DAFA would still be identified as an independent DoD Component (separate from OSD)

Today, the use of the term "Fourth Estate" has become ambiguous; **there is no single, authoritative definition** - it is frequently used to mean alternatively:

1. Everything outside the MilDeps
2. Everything outside the MilDeps and CCMDs
3. OSD and DAFA
4. DAFA only
5. Non-Intelligence Community (non-IC) DAFA
6. DAFA, OIG DoD, and certain Defense-wide activities (e.g., CJCS Controlled Activities (CCAs), Defense Acquisition University (DAU), Defense Microelectronics Activity (DMEA))
7. Any activity funded by Defense-wide Operations and Maintenance (O&M OW) funding (e.g., USSOCOM, Defense Health Program (DHP))

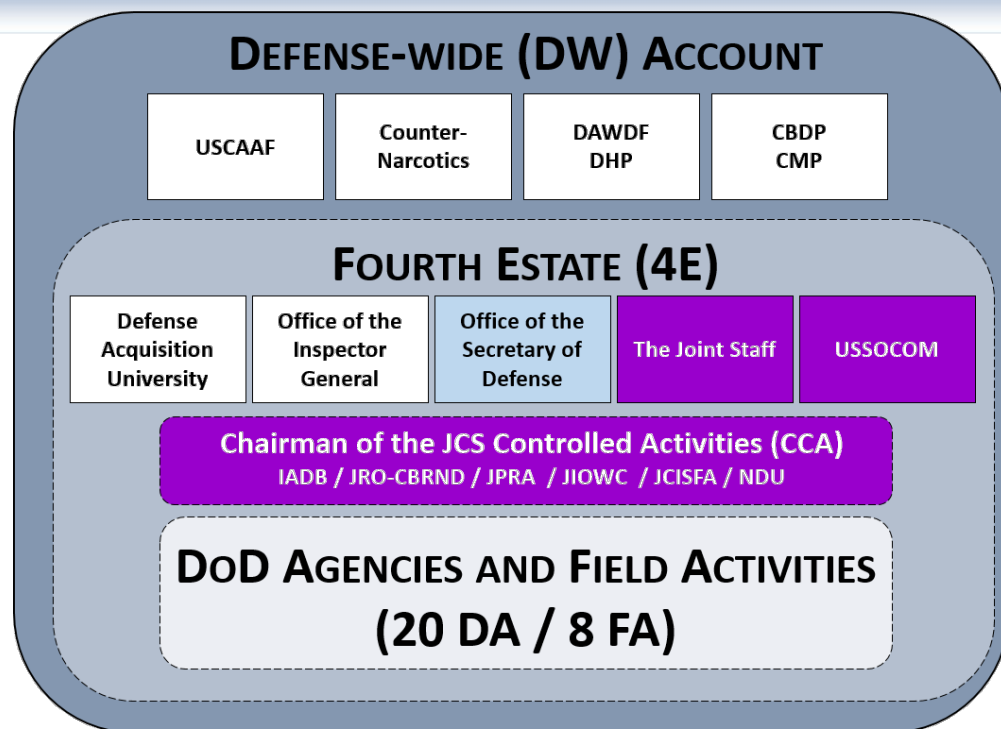


Strategic Imperative Backup: DW & Fourth Estate

Defense-wide accounts encompass a very broad range of disparate DoD organizations and activities

The Joint Staff, USSOCOM, and many DAFA “employ” military members, known as Borrowed Military Members (BMM). These organization’s budgets do not reflect the pay for detailed BMM, as that is borne by the military service to which they belong

This is an added “cost” to operate these entities that is not reflected in budget numbers. In the case of USSOCOM and the Joint Staff this is a considerable operating cost



CBDP - Chemical Biological Defense Program
CMP - Civil Military Programs: National Guard Challenge Program /
DoD Innovative Readiness Training Program / DoD STARBASE Program
DAWDF - Defense Acquisition Workforce Development Fund
DHP - Defense Health Program
IADB - Inter-American Defense Board
JRO-CBRND - Joint Requirements Office CBRNE Defense
JPRA - Joint Personnel Recovery Agency
JIOWC - Joint Information Operations Warfare Center
JCISFA - Joint Center for International Security Force Assistance
NDU - National Defense University
USCAAF - U.S. Court of Appeals for the Armed Forces
USSOCOM - United States Special Operations Command



DAFA Backup: Oversight

Whenever the SD determines such action would be more effective, economical, or efficient, the SD may provide for the performance of a supply or service activity that is common to more than one MilDep by a DAFA. The SD may establish, disestablish, merge, or change the missions of the DAFA provided that he follows applicable laws and Presidential direction.

Annual Appropriations Acts

- DAFA may not be established unless the SD certifies cost savings (manpower or budget) to the Congressional Appropriations Committees. Recurring provision (most recent § 8039 of FY19 Appropriations Act)

Title 10

- § 191 Authority: The SD may establish a DAFA when it would be more effective, economical, or efficient
- § 192 Oversight: The SD shall assign ADC of each DAFA to an OSD official (PAS, PSA, or other) or the CJCS
 - Not less frequently than every 2 years, the SD shall review the DAFA for continued need/effectiveness
 - Not less frequently than every 4 years, the CMO shall review the DAFA for efficiency/effectiveness and identify where there is any duplication and/or adequate performance levels. (CMO requirement added in August 2011)
- § 193 Combat Support: The SD may identify a Defense Agency as a CSA
 - Not less frequently than every 2 years, the CJCS shall submit a Congressional report on the CSAs on their warfighting responsiveness/readiness and any recommendation the CJCS considers appropriate

The CJCS shall provide for participation of the CSAs in joint training exercises

- Section 194 Limitations: The Major DoD Headquarters Activities (MHA) specifically, and the overall size, generally, of the DAFA manpower (military and civilian, assigned or detailed) cannot exceed the levels as of September 30, 1989.

Other Statutory Provisions and Presidential direction

- All but two DAFA (DLSA and DMA) have statutory provisions related to assignments of responsibilities and functions. While not necessarily prohibitive of changes, changes to statutory language may in some cases be required. Additionally, there are current statutory reviews required for some DAFA (e.g., §§ 925 and 926 of the FY19 (NDAA) require reviews of DCAA/DCMA and DFAS
- Moreover, any Presidential direction (e.g., establishment of DCSA) would have to be addressed in order to implement changes



DAFA Backup: Reviews

The DAFA have been the subject of various reviews over the last several decades. Some of these reviews focused specifically on the DAFA and others included the DAFA in broader reviews of the Fourth Estate. Major reviews that should be considered for potential evaluation criteria, among others, are:

Defense Agency Review, OSD Study Team, Major General Antonelli, 1977

A Report to the Secretary of Defense on the Defense Organization Study (aka Ignatius study), Lt Gen James C. Kalergis (Ret), June 30 1979

Directions for Defense, Report of the Commissions on Roles and Missions of the Armed Forces (aka CORM), J.P. White et al, May 24, 1995

The Office of the Secretary of Defense, Creating a New Organization for a New Era, Donley/Locher/Bertau/Pope, Hicks and Associates, May 1997

Defense Reform Initiative, March 1997 (series of DRIDs 1997-2000)

Mike Donley memo to Arnold Punaro and DBB, February 2005

Beyond Goldwater-Nichols: U.S. Government and Defense Reform for a New Strategic Era Phase 2 Report, Clark A. Murdock and Michèle A. Flournoy, CSIS, July 2005

IDA Paper P-4169, Does DoD Need a Chief Management Officer?, Graham/Hanks/Johnson Locher/Olson/Richanbach, December 2006

PowerPoint file, "Ken Krieg SEC Stage Setter for IDA Conference," 2010

Task Force on Military Health System Governance, Dr. George P. Taylor Jr. and Major General (Dr.) Doug Robb, September 2011



DAFA Backup: Budget Development

The 28 DAFA do not have equivalent POMs (either cross-DAFA or cross-DoD)

- Intelligence Activities and WCF DAFA have unique requirements and builds for their POMs.
- There is wide variability relative to capability and capacity to mimic a Military Department's program and budget support functions (i.e., the DAFA do not have enough people/processes today to have a rigorous POM build process like the MilDeps)

"Building a POM" can range from putting data into a spreadsheet up to creating a rigorous process that prioritizes, compares trade-offs/risks, and makes decisions on changes.

- Will changes in the POM submissions translate into changes in the way the Department submits the budget to Congress including supporting materials/justifications (e.g., J-books)?
- A POM is one Budget Year (for the President's Budget) and four Program Years for a total of five years called the Future Years Defense Program (FYDP).
- Fund distribution and budget execution are "year of execution" issues.

What is the difference between Administrative Control (ADCON) and Authority, Direction, and Control (ADC)? What is the implication if decisions about resourcing levels start to impact operational activities?

- ADCON is a specific type of authority that MilDeps have over their personnel and resources. What are the "boundaries" of ADCON in the context of DAFA and PSAs? Is ADCON envisioned to be unilateral authority to transfer resources between components (even when impacting operational effectiveness)?
- Will DAFA still have participation rights in PPBE processes (e.g., issue teams, 3-star)?

Considerations:

- Will the DAFA have any recourse and/or reclama for reductions?
- Will all enhancements/increases (e.g., SDA establishment, Background Investigations) have to be offset from within other DAFA?
- What is the threshold for bringing issues outside of the DAFA base?

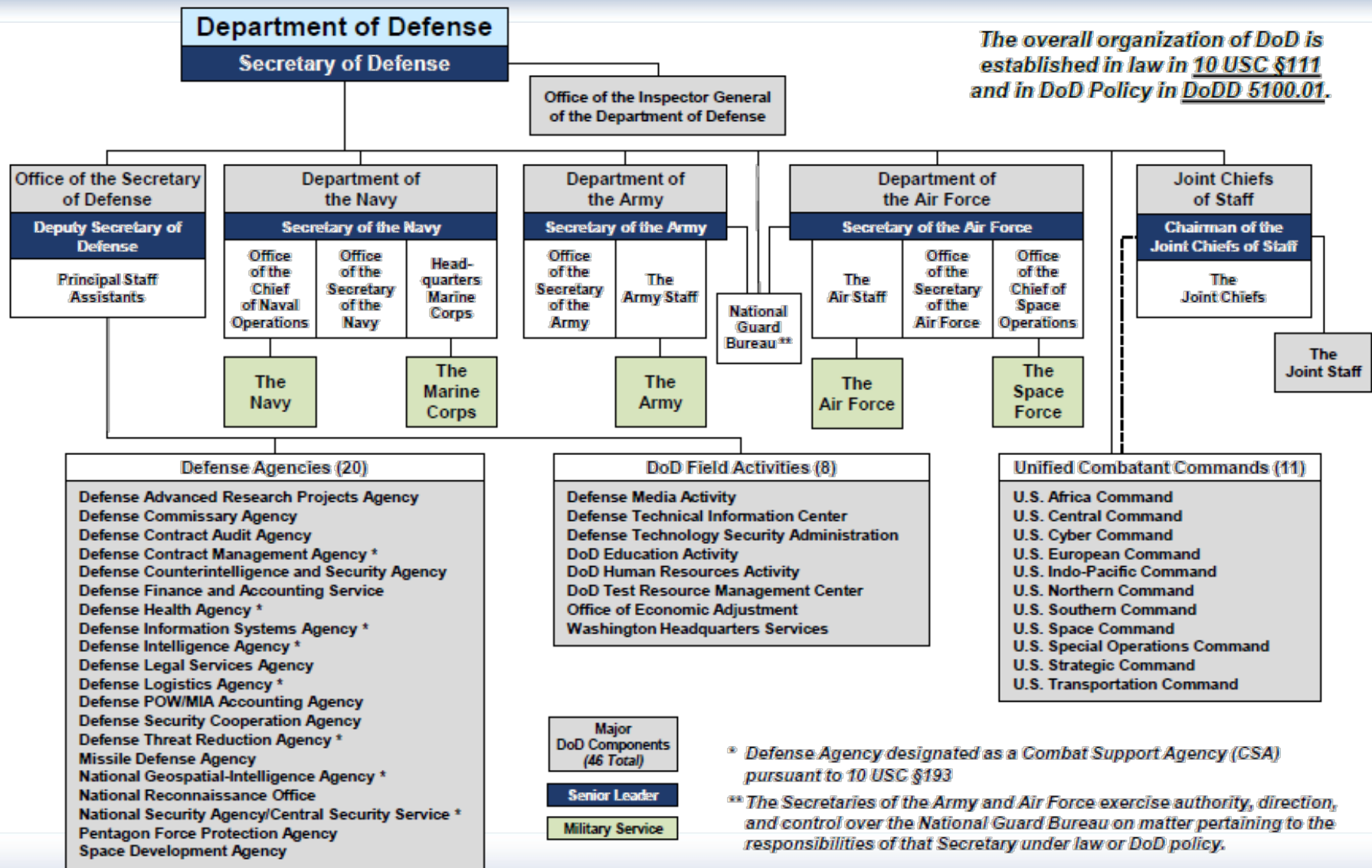


DEFENSE BUSINESS BOARD



Organizational Alternatives Back-up

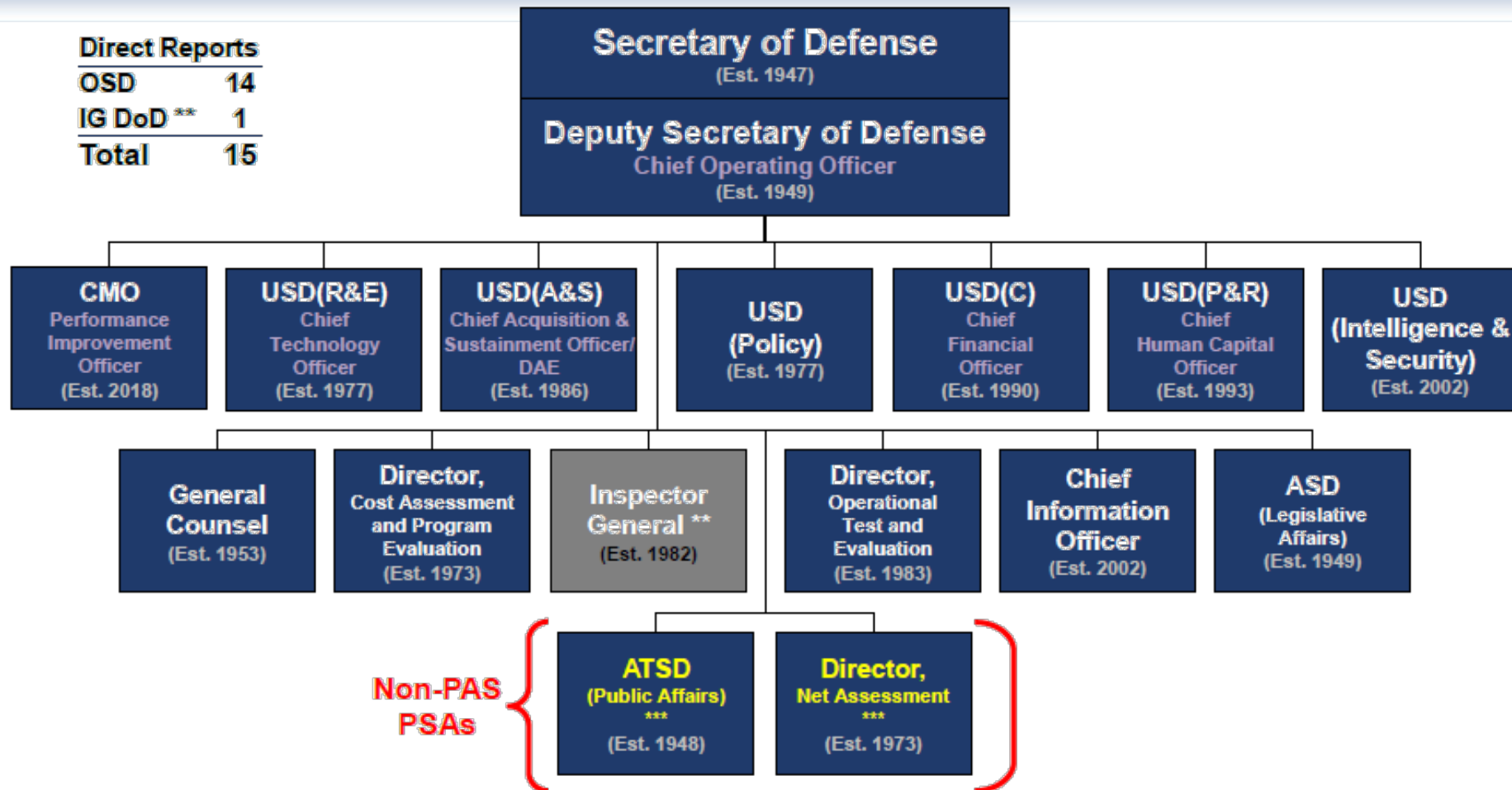
Current DoD Organization



Current OSD Organization

Direct Reports

OSD	14
IG DoD **	1
Total	15



* Dates reflect establishment of positions with roles that were essentially the same as they are today (even though the positions may have previously been non-PAS).

** Although the IG DoD is statutorily part of OSD and for most purposes is under the general supervision of the SD, the Office of the IG DoD (OIG) functions as an independent and objective unit of the DoD

*** All positions shown are PAS except those with **** which are SES positions



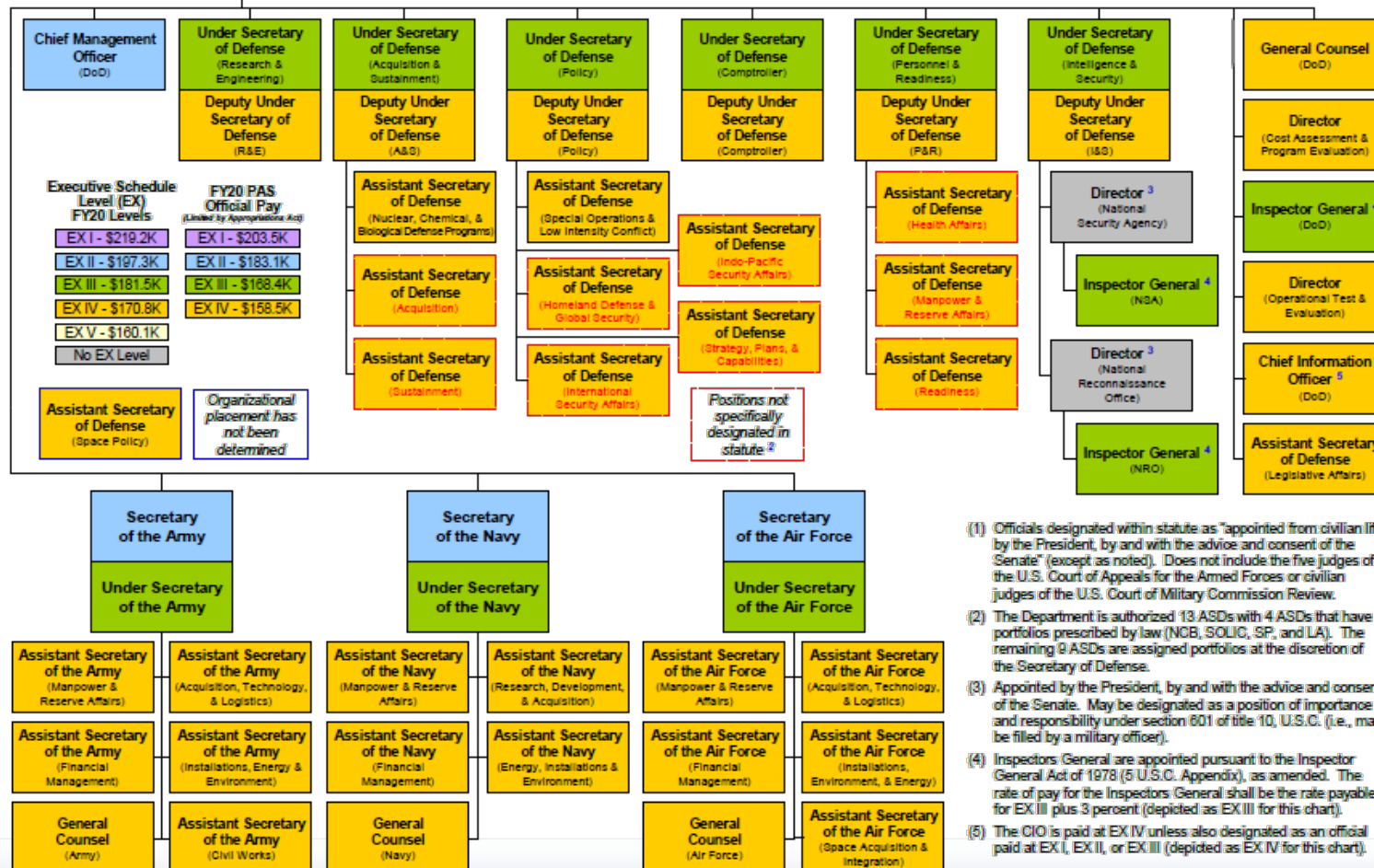
Current PAS Officials



Secretary of Defense
Deputy Secretary of Defense

DoD PAS¹ Officials by EX Level 60 Total as of January 2020

Prepared by:
Organizational Policy
and Decision Support,
DA&OP/OCMO/OSD

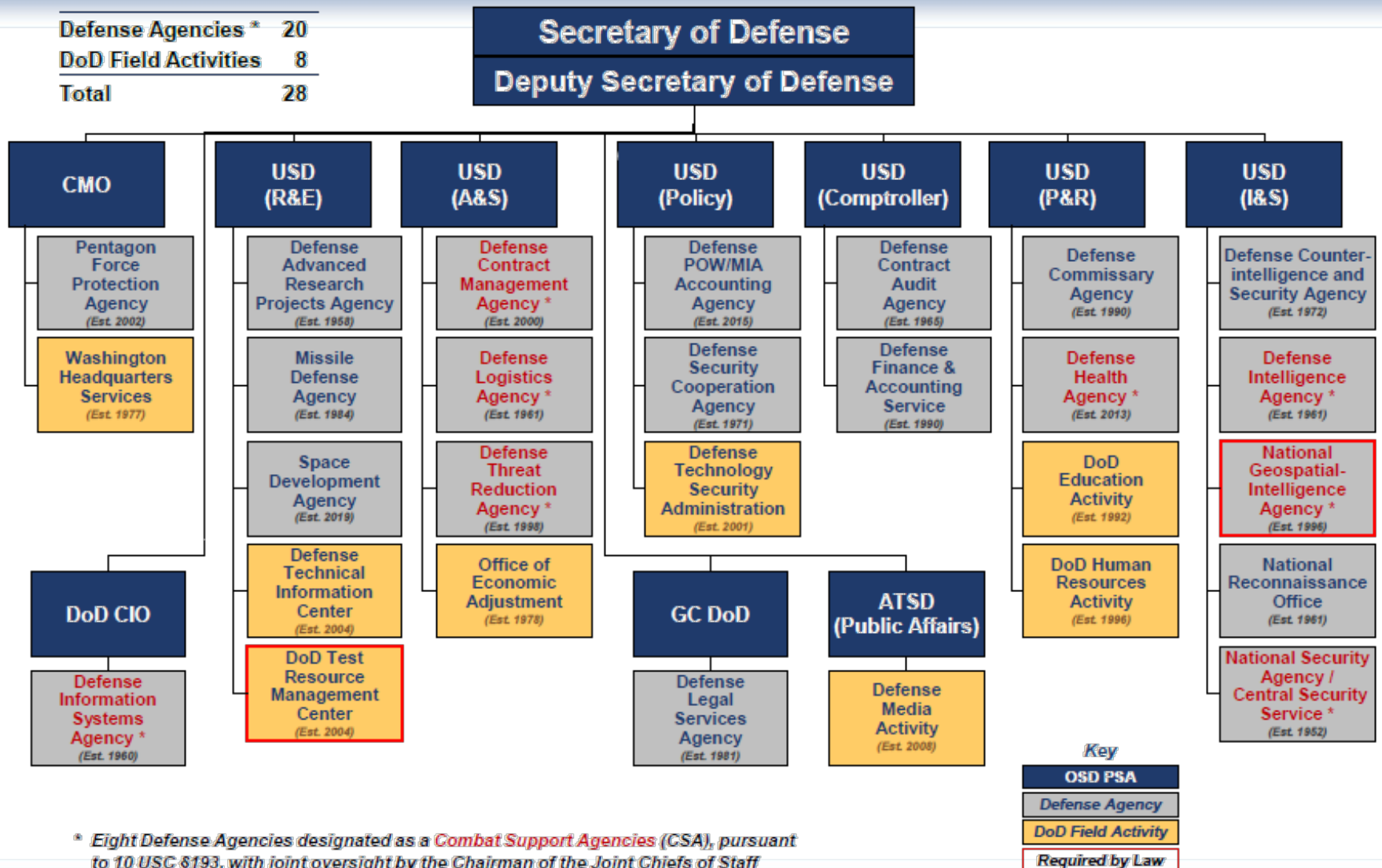


- (1) Officials designated within statute as "appointed from civilian life by the President, by and with the advice and consent of the Senate" (except as noted). Does not include the five judges of the U.S. Court of Appeals for the Armed Forces or civilian judges of the U.S. Court of Military Commission Review.
- (2) The Department is authorized 13 ASDs with 4 ASDs that have portfolios prescribed by law (NCB, SOLIC, SP, and LA). The remaining 9 ASDs are assigned portfolios at the discretion of the Secretary of Defense.
- (3) Appointed by the President, by and with the advice and consent of the Senate. May be designated as a position of importance and responsibility under section 801 of title 10, U.S.C. (i.e., may be filled by a military officer).
- (4) Inspectors General are appointed pursuant to the Inspector General Act of 1978 (5 U.S.C. Appendix), as amended. The rate of pay for the Inspectors General shall be the rate payable for EX III plus 3 percent (depicted as EX III for this chart).
- (5) The CIO is paid at EX IV unless also designated as an official paid at EX I, EX II, or EX III (depicted as EX IV for this chart).



Current DAFA Organization

Defense Agencies *	20
DoD Field Activities	8
Total	28



Combatant Commands

Six commanders have specific mission objectives for their geographical areas of responsibility:



United States
Africa Command



United States
Central Command



United States
European Command



United States
Indo-Pacific Command



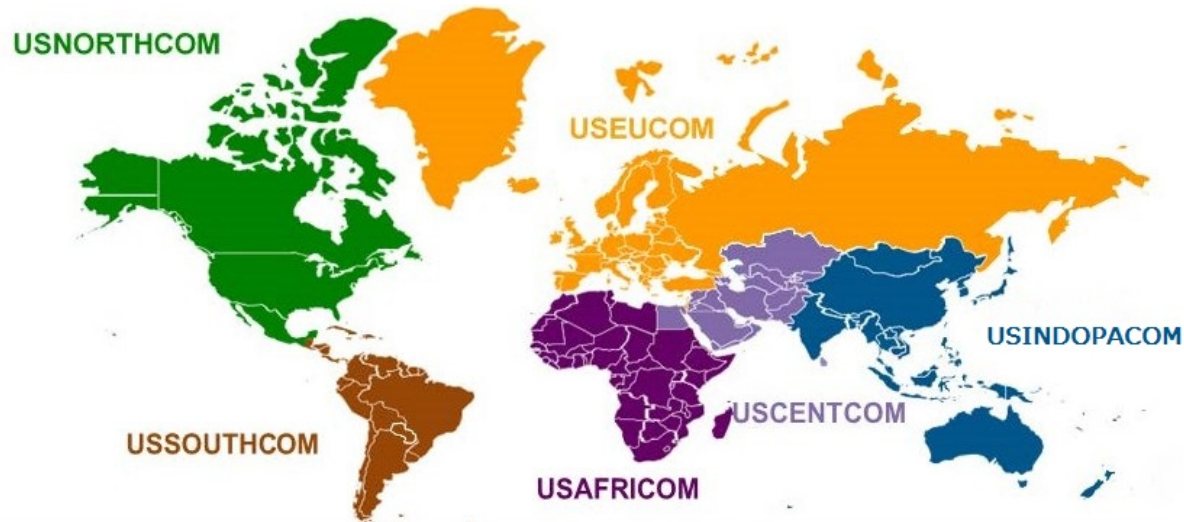
United States
Northern Command



United States
Southern Command



United States
Space
Command



Four commanders have worldwide mission responsibilities, each focused on a particular function:



United States
Cyber
Command



United States
Special Operations
Command



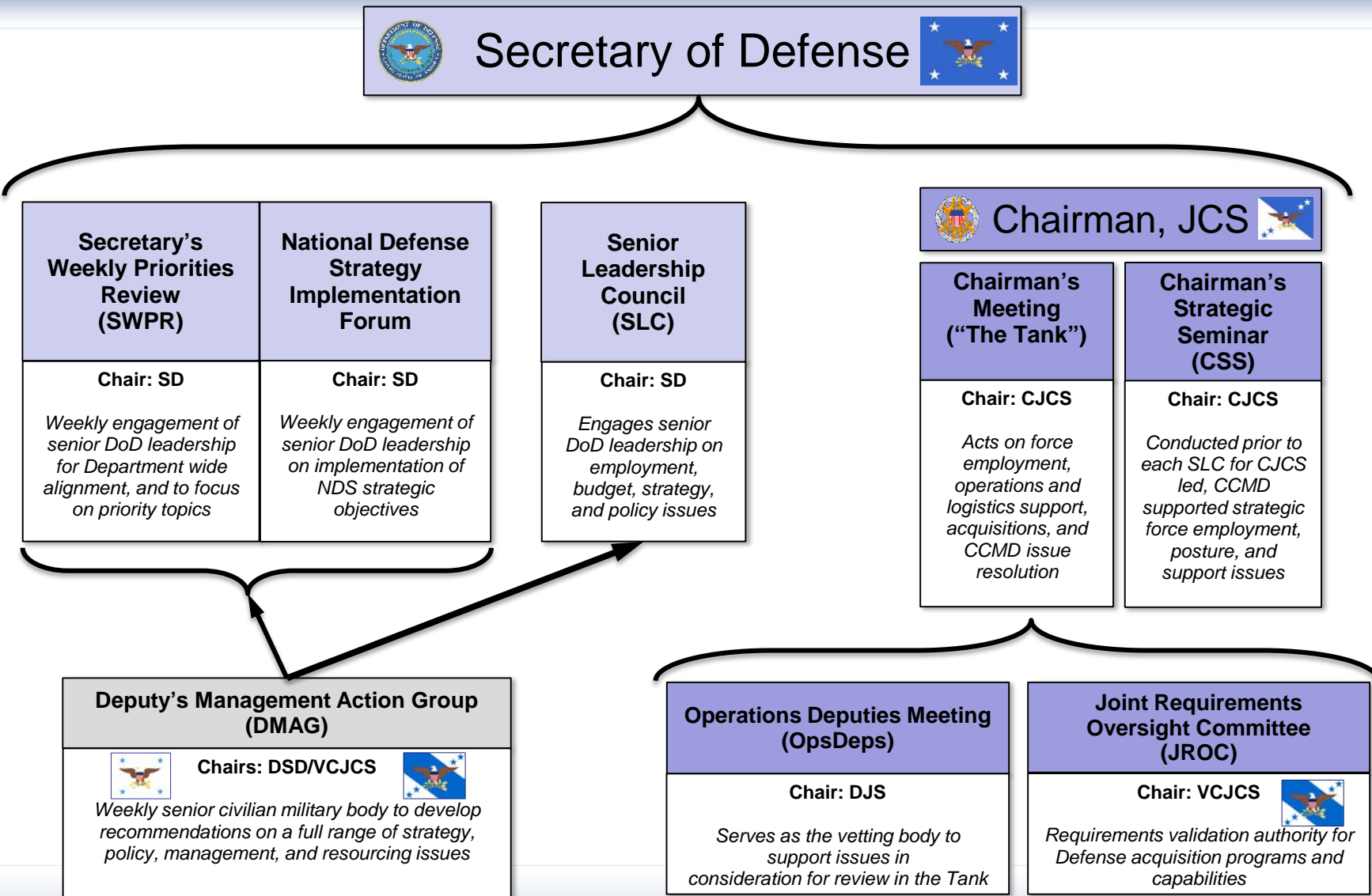
United States
Strategic
Command



United States
Transportation
Command



DoD Organizational Structure Senior Governance Fora



Source: DBB chart created with computations using DoD data



DoD Organizational Structure

Tiers of governance for a that advance issues to the DMAG

DMAG

PBR Meeting/3 Star Programmers DCAPE Leads review of POMs submitted by Components, screens and develops issues for DMAG presentation	CIMB/ CLC USD(A&S), VCJCS, USD(P) Drafts DoDD to transition into DSD Cyber Bi Weekly Renamed Cyber Leadership Council	CIMB/ CLC USD(A&S), VCJCS Assesses performance, vulnerabilities, and priorities for Senior Leader Comms Systems, NC3 and COOP	CSMG USD(P) Focuses specifically on China Strategy issues	DBC CMO, CIO Advises on DoD management, business processes, and governance from a private sector perspective	DHRB USD(P&R) Recent topics include Support to Surviving Family Members and Future of Warrior Games	DISIC USD(I) Relevant topics applicable to the Defense Intelligence and Security Enterprise Previously the ISR Council	DSOC USD(P&R) Governance on efforts to reduce mishaps, incidents, and occupational illness and injuries
ERMG ASD(R), DJS Advises SD on matters pertaining to DoD readiness	EW EXCOM USD(A&S), VCJCS Addresses all aspects of the DoD EW Enterprises	FIAR USD(C), CMO Assesses management controls for essential operations and financial reporting	GFMB DJ8 Assesses op impacts of force Management decisions; Recommends strategic planning guidance	GPEC USD(P), JS Convening authority for global posture and contingency planning issues	JIE EXCOM CIO Synchronizes JIE activities while ensuring alignment with overall IT effectiveness	LRP ASD(LA), GC Processes legislative proposals consistent with the SDs legislative priorities	MDEB USD(R&E), USD(A&S) Missile defense Strategic policies, plans, program priorities, and investment opportunities
NDERG DSD Identifies, tracks, coordinates, and addresses issues, risks, and opportunities across nuclear enterprise	PNT Oversight Council USD(A&S), VCJCS Oversees DoD portion of the U.S. Positioning, Navigation, and Timing Enterprise	RMG CMO Identifies, aligns, and develops new and existing business reform Efforts throughout DoD	RSMG USD(P) Focuses specifically on Russia Strategy issues	SGC DSD Adjudicates reorg actions and legislative proposals before WH submission	SSA/Tri-Chair DCAPE, Policy, JS Supports deliberations by Sr. leaders on strategy and PPBE, including force sizing, shaping, and capability	STLT/MHSER USD(P&R) Assesses Health care access, patient safety, and health care quality across the MHS	

Source: DBB chart created with computations using DoD data

Approved by DBB - 6 May 2020



DoD Organizational Structure

Chair(s)	PBR Mtg/3Star Programmers	CIMB / CLC	CONLC3S	CSMG	DBC	DHRB	DISIC	DSOC	ERMG	EW EXCOM	FIAR	GFMB	GPEC	JIE	LRP	MDEB	NDERG	PNT Over-sight Council	RMG	RSMG	SGC	SSA	STLT/MHSER
	DCAPE	DSD	USD (A&S), VCJCS	DASD (China)	CMO, CIO	USD (P&R)	USD(I) (P&R)	USD (P&R)	ASD(R), DJS	USD (R&E), VCJCS	USD(C), CMO	DJ8	USD(P), JS	CIO	ASD (LA), GC	USDs (R&E), (A&S)	DSD	USD (A&S), VCJCS	DSD, CMO	DASD (RUE)	DSD	USD(P), DCAP, JS	USD (P&R)
JS	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
CAPE	✓			✓	✓	✓		✓	✓	✓			✓		✓	✓	✓		✓	✓	✓	✓	✓
CCMDs	✓	✓	✓	✓					✓			✓	✓	✓				✓		✓	✓		
CIO		✓	✓		✓			✓	✓	✓	✓					✓	✓	✓	✓		✓		
CMO	✓				✓	✓		✓	✓	✓	✓			✓	✓		✓		✓		✓		✓
DA/FAs			✓	✓			✓				✓			✓				✓	✓	✓			
IG											✓												
Mil/Deps	✓	✓		✓	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓	✓		✓	✓	✓		✓
NGB	✓			✓		✓			✓				✓				✓		✓	✓	✓		
OGC															✓	✓	✓				✓		
OSD USDs	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓	✓
OT&E	✓															✓							
OTH Govt				✓																✓			

Key

✓ = Voting Member



DEFENSE BUSINESS BOARD



DCMO and CMO History and Background

DCMO-CMO History

The following history information was derived from the Info Paper: Statutory Establishment and Evolution of the Deputy Chief Management Officer (DCMO) and Chief Management Officer (CMO) of the Department of Defense(DoD), April 14, 2020 produced by Mr. Jeffery Eanes, OSD/DoD legislative/organization expert; DoD Organization Briefing Lead, Organizational Policy and Decision Support, Office of the Chief Management Officer

Apr 2005 – Bill introduced in the Senate (S.780, 109th Congress) to establish a DSD for Management at Executive Schedule (EX) Level II that would serve for a term of 7 years. Not included in the NDAA

Oct 2005 – DBB study FY05-3 provides recommendations regarding the establishment of a CMO and COO to fix the organizational structure of the department and establish metrics to coincide with business transformation initiatives

Jan 2006 – FY06 NDAA § 907 directed a report on the feasibility and advisability of the establishment of a DSD(M)

Mar 2006 – DSD England asked DBB to form a Task Force to revisit prior DBB proposal to create a CMO. The DBB explored two options: a USD for Management (USD(M)) at EX III; and a PUSD for Management (PUSD(M)) at EX II



DCMO-CMO History

The DBB decided a PUSD for Management (PUSD(M)) and recommended implementation in two phases:

- Phase I: Immediately create a Special Assistant for Management (transition) to undertake duties and draft permanent enabling legislation
- Phase II: Establish PUSD(M)/CMO with full responsibility and authority to direct Under Secretaries and Service Secretaries for issues in tasking memo and only for those issues (Level II position). Budget authority and responsibility for issues in tasking memo and only for those issues. Accountability and responsibility for progress on selected business initiatives. Accountability for success of tasks outlined in tasking memo through use of a performance-based approach. A fixed term will provide continuity for transitioning administrations resulting in more chance of implementing business initiatives successfully Jan 2008 – FY08 NDAA § 904 includes provision that designated the DSD as the CMO; established a DCMO of DoD at EX III; and designated the Under Secretaries of the Military Departments as the CMOs of those Departments

January 2008 – Ms. Beth McGrath appointed as DoD Performance Improvement Officer by DSD Gordon England via January 4, 2008 memo

Oct 2008 – FY10 NDAA § 904 added DCMO to the membership of the Defense Business System Management Committee (DBSMC) and made the DCMO the DBSMC's Vice Chairman. The Office of the DCMO is established

Oct 2009 – FY10 NDAA § 932 created the Defense Integrated Military Human Resources System (DIMHRS) Development and Transition Council. Section 1003 directed the DCMO, in consultation with the USD(C), to develop and maintain the Financial Improvement and Audit Readiness (FIAR) Plan



DCMO-CMO History

Jul 2010 – Ms. Beth McGrath appointed by the President as the first DCMO. DBB recommended to SD Gates major changes to OSD and other DoD organizations. The DBB Task Force was chaired by Arnold Punaro

Aug 2013 – SD Hagel asked former SecAF Michael Donley to lead an OSD Organizational Review (OOR). Secretary Donley had performed a similar review in 1997 (of note, Arnold Punaro chaired the “Defense Reform Task Force” for SD Bill Cohen to recommend improvement to DoD organizations and to bring world class business practices to DoD.)

Nov 2013 – Ms. McGrath departs DCMO position

Dec 2013 – SD Hagel approves OOR recommendations and directs the merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD(IO)). Dec 2013 – SD Hagel approves OOR recommendations and directs the merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight (ATSD(IO))

May 2014 – Department’s legislative proposal (#006 for the FY15 cycle) advancing corresponding statutory changes from SD Hagel decisions approved, cleared by the OMB and the White House, and transmitted to Congress to be included in the FY15 NDAA

Jun 2014 – SASC introduces provision for the FY15 NDAA § 901 to strengthen DCMO by designating the DSD as the COO (removing the CMO role) and converting the DCMO into the CMO of the DoD at EX III. The CMO would serve as the CIO and PIO; exercise authority, direction, and control (ADC) over IAD/NSA; and take precedence after the USD(AT&L)

DCMO-CMO History

Jul 2014 – DSD Work directs the consolidation of the Offices of the ATSD(IO) and DA&M into the CMO

Dec 2014 – FY15 NDAA § 901 establishes a USD for Business Management and Information (USD(BM&I)) at EX II to become effective on February 1, 2017. The USD(BM&I) would serve as the CIO (statutorily established in 10 U.S.C. § 142) and PIO; exercise, through the CIO role, ADC over IAD/NSA; and take precedence before the USD(AT&L) (even on matters for which the USD(AT&L) is assigned responsibility in law or by direction of the Secretary)

May 2015 – Mr. Peter Levine appointed by the President as the second DCMO

Nov 2015 – FY16 NDAA established the Defense Business Council

Apr 2016 – Mr. Levine becomes the Acting USD(P&R) while continuing to encumber the position of DCMO.

Dec 2016 – The NDAA for FY 2017 (Pub. L.114-328, § 901) eliminated the USD(AT&L) and established a USD(Research and Engineering) at EX II, a USD(Acquisitions and Sustainment) at EX II, and a CMO without EX level rank to become effective on February 1, 2018 (1-year delay)

Jan 2017 – Mr. Levine departs DCMO position and Acting USD(P&R) role with change of Administration

Apr 2017 – SD Mattis approves request by Acting DCMO to retitle CMO to USD(M)/CMO and “let stand” the statutory provision which gave the CMO “authority to direct the Secretaries of the military departments and all other organizational elements of the Department with regard to matters for which the CMO has responsibility subject to the delegation of the Secretary vice seeking legislation to [clarify] such authority”

Nov 2017 – Mr. John “Jay” Gibson appointed by President as third DCMO



DCMO-CMO History

Dec 2017 – FY18 NDAA (Pub. L.115-91) § 909 establishes the CIO as a PAS official (EX IV), generally revises the responsibilities of the CIO, and directs the SD to provide an alternative proposal (“Section 909 Report”) no later than March 1, 2018 on the statutory construct of the CIO. Section 910 revises the statutory responsibilities for the CMO, codifies the CMO position in 10 U.S.C. § 132a (thereby eliminating the PAS DCMO), and makes the CMO an EX II official, all effective February 1, 2018. The new CMO responsibilities included broader authorities for business management and information including, effective January 1, 2019, assigning to the CMO broad CIO responsibilities (“bifurcation of CIO roles”) in titles 10, 40, and 44 of U.S.C.

Feb 2018 – Mr. Gibson appointed by President as first CMO

Apr 2018 – Ms. Lisa Hershman, appointed DCMO

May 2018 -- HASC introduces several provisions for the FY 2019 NDAA (HR.5515). Section 911 generally revises the responsibilities of the CMO by requiring the CMO to exercise ADC over all activities of the Department related to civilian resources management, logistics management, services contracting, or real estate management; authorizing the CMO to carry out elimination of DAFA (other than the DoD Education Activity (DoDEA) or those established by statute); requiring the DAFA to provide their budgets to the CMO for certification of cost savings

Aug 2018 – FY19 NDAA (Pub. L.115-232) § 903 codifies the bifurcation of Federal CIO responsibilities. Section 921 generally revises the responsibilities of the CMO

Nov 2018 – Mr. Gibson departs CMO position

Dec 2018 – Ms. Lisa Hershman, DCMO, is Acting CMO



DCMO-CMO History

Jun 29, 2019 – Ms. Lisa Hershman reverts back to her DCMO role

Dec 31, 2019 - Ms. Lisa Hershman appointed by President as second CMO

Jan 6 2020 – The SD establishes three DoD Reform Focus areas for 2020: DW organizations transition to CMO governance, CCMD reviews and refocus, and MilDep “clean-sheet” budget reviews. With respect to the DW effort the CMO, operating under the DSD’s guidance, will be responsible for the business functions of DW organizations. The CMO will focus on reforming business processes, overseeing resource planning and allocation, and evaluating each DW organization’s performance against business goals. The CMO will establish methods to strengthen oversight, continue reform momentum, and instill fiscal discipline across DW organizations and accounts. The CMO’s immediate focus, in coordination with the USD(C) and DCAPE, will be to develop a consolidated FY 2022-2026 program and budget for the DW accounts

Jan 24 2020 – DSD memo “Defense-wide Organizations Transition to Chief Management Officer Governance” provided further details to guide implementation activity of the SD’s 6 Jan memo. The DSD supplemented the SD directions with guidance to the CMO to strengthen resource oversight of DW accounts and organizations, drive business reform across the DAFA, and participate in the hiring process and performance evaluation cycles for the civilian DAFA Directors and Deputy Directors

Feb 13 2020 – CMO memo “Responsibility for the Business Functions of Defense-wide Organizations” outlined the CMO efforts, in coordination with USD(C), and the D,CAPE, in developing a consolidated FY 2022-2026 DW program and budget submission for the DW organizations



DCMO-CMO Incumbents

DCMO-CMO Incumbency Dates:

Incumbent	Position	Nominated	Hearing	Reported	Confirmed	Appointed	Departed	Length (Total)
Ms. Elizabeth McGrath	ADCMO	PTDO DCMO (new position) ¹				October 9, 2008	June 24, 2010	623
HON Elizabeth McGrath	DCMO (PAS)	March 10, 2010	March 23, 2010	May 5, 2010	June 22, 2010	June 24, 2010	November 25, 2013	1250 (1873)
Mr. Kevin Scheid	ADCMO	Acting DCMO				November 25, 2013	May 20, 2014	176
Mr. David Tillotson	ADCMO	Acting DCMO				May 20, 2014	May 26, 2015	371
HON Peter Levine	DCMO (PAS)	March 4, 2015	April 21, 2015	April 30, 2015	May 23, 2015	May 26, 2015	January 20, 2017	605 (318) ²
Mr. David Tillotson	ADCMO	PTDO DCMO (encumbered) ²				April 8, 2016	January 20, 2017	287
Mr. David Tillotson	ADCMO	Acting DCMO				January 20, 2017	November 8, 2017	292
HON John "Jay" Gibson	DCMO (PAS)	June 19, 2017	July 18, 2017	July 27, 2017	November 7, 2017	November 8, 2017	January 31, 2018	84
Mr. David Tillotson	ADCMO	PTDO CMO (new position) ³				February 1, 2018	February 20, 2018	20 (970)
HON John "Jay" Gibson	CMO (PAS)	January 22, 2018	No hearing	January 30, 2018	February 15, 2018	February 20, 2018	November 30, 2018	283 (367)
Ms. Lisa Hershman	DCMO (non-PAS)	Acting CMO				December 1, 2018	June 29, 2019	210
Ms. Lisa Hershman	DCMO (non-PAS)	As the DCMO, discharges the duties of the CMO (FVRA time limit and presumption of confirmation) ³				June 29, 2019	December 31, 2019	185
HON Lisa Hershman	CMO (PAS)	July 22, 2019	October 29, 2019	November 19, 2019	December 19, 2019	December 31, 2019	Present (January 21, 2020)	21 (416)

¹ An official cannot be designated as Acting for a new PAS position until the PAS position has been filled at least once.

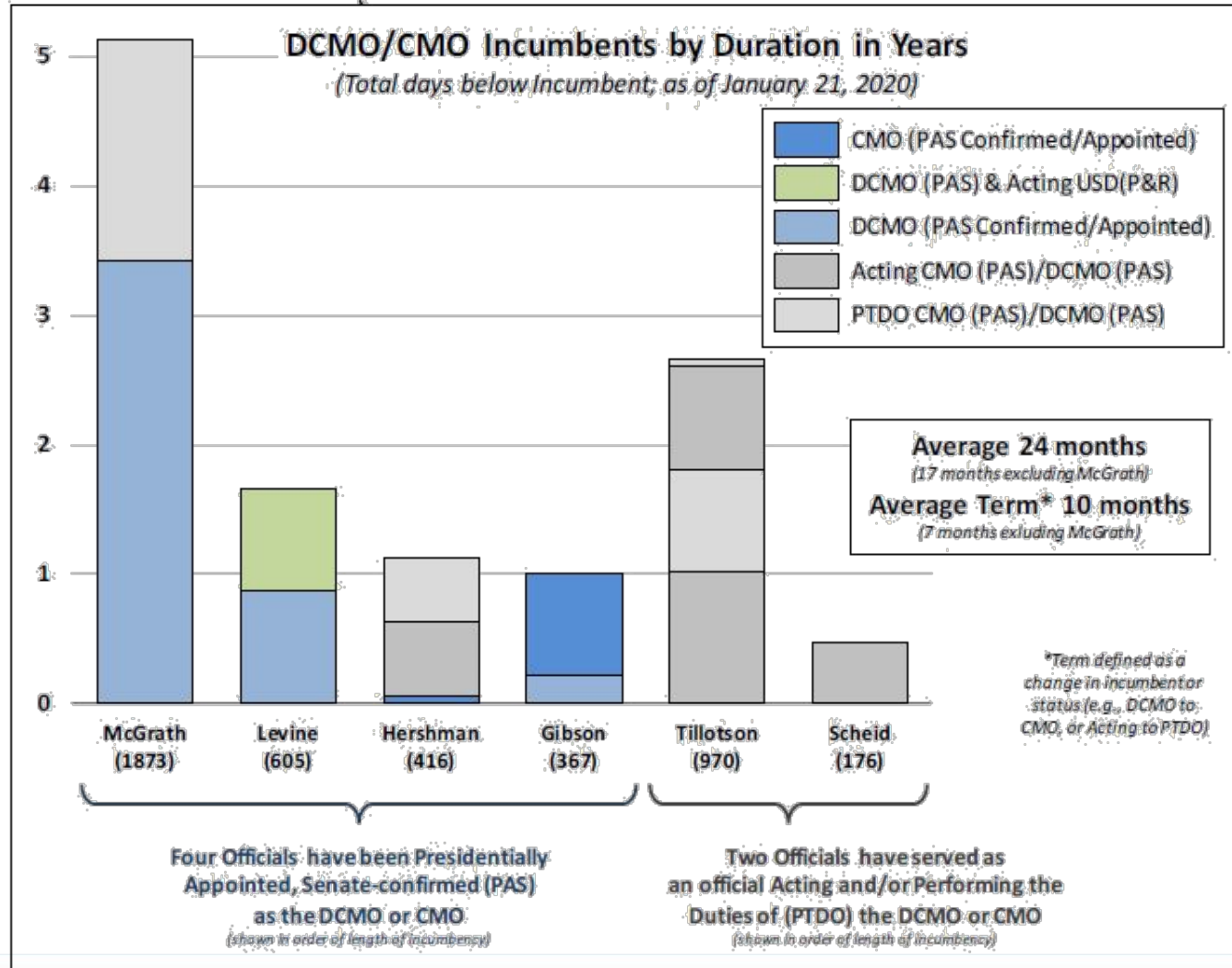
² Mr. Tillotson was PTDO DCMO while Mr. Levine, still encumbering the DCMO, was the Acting USD(P&R). Mr. Levine's total days (in parenthesis) represents his DCMO time, less the time as Acting USD(P&R).

³ Ms. Hershman was fulfilling the duties of the CMO without the designation of Acting or PTDO.



DCMO-CMO Incumbents

DCMO-CMO Incumbency Duration:

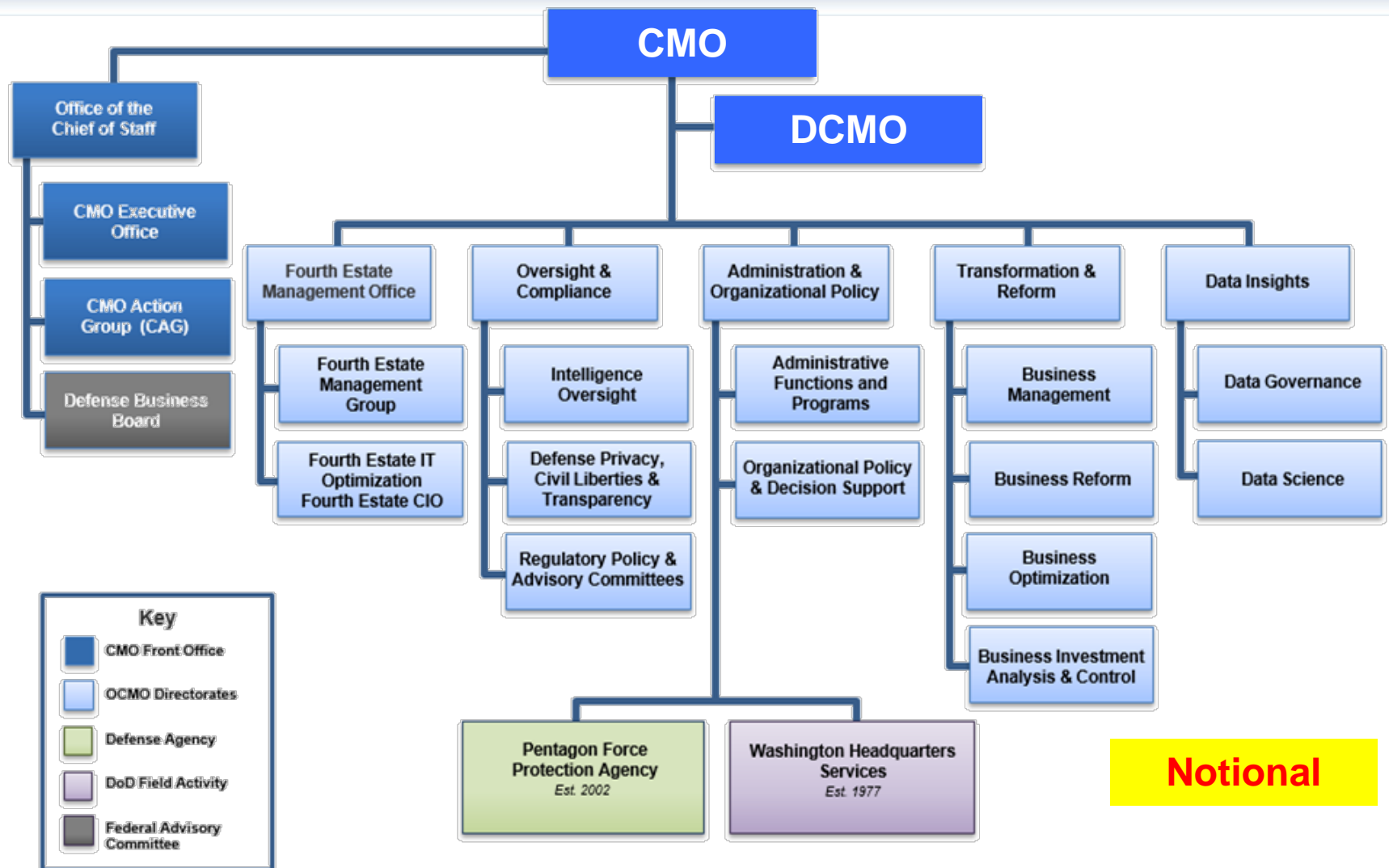


Source: OP&DS Info Paper: Statutory Establishment and Evolution of the Deputy Chief Management Officer (DCMO) and Chief Management Officer (CMO) of the DoD 21 January 2020

Approved by DBB - 6 May 2020



Current CMO Organization



Source: OP&DS



CMO Statutory Responsibilities and Authorities

10 USC 132a. CMO

(b) **Responsibilities.**—Subject to ADC of SD and DSD, the CMO shall perform such duties and exercise such powers as the SD or DSD may prescribe, including the following:

- (1) Serve as CMO DOD with mission of managing enterprise business operations (EBO)/shared services of DoD.
- (2) Serve as the principal advisor to the SD/DSD on establishing policies for, and directing, all EBO, including:
 - Planning and processes, business transformation, and performance measurement and management activities and programs, including the allocation of resources for enterprise business operations and unifying business management efforts across the Department.
- (3) Exercise authority, direction, and control over the Defense Agencies and DoD Field Activities (DAFA) providing shared business services for the Department that are designated by the SD or DSD for purposes of this paragraph.
- (4) Authority to direct the Secretaries of the military departments and the heads of all other elements of the Department with regard to matters for which the CMO has responsibility under this section.
- (6) Serve as the official with principal responsibility in the Department for minimizing the duplication of efforts, maximizing efficiency and effectiveness, and establishing metrics for performance among and for all organizations and elements of the Department.

DoD-wide

(c) **Budget Authority.**—(1)(A) Beginning in FY 2020, the SD, acting through the USD(Comptroller), shall require the head of each DAFA specified by the Secretary for purposes of this subsection to transmit the proposed budget of such Agency or Activity for EBO for a FY, and for the period covered by the FYDP submitted to Congress under section 221 of this title for that FY, to the CMO for review under subparagraph (B) at the same time the proposed budget is submitted to the USD(Comptroller).

(B) The CMO shall review each proposed budget transmitted under subparagraph (A) and, not later than January 31 of the year preceding the FY for which the budget is proposed, shall submit to the SD a report containing the comments of the CMO with respect to all such proposed budgets, together with the certification of the CMO regarding whether each such proposed budget achieves the required level of efficiency and effectiveness for EBO, consistent with guidance for budget review established by the CMO.

(C) Not later than March 31 each year, the Secretary shall submit to Congress a report that includes the following:

- (i) Each proposed budget for the EBO of a DAFA that was transmitted to the CMO under subparagraph (A).
 - (ii) Identification of each proposed budget contained in the most recent report submitted under subparagraph (B) that the CMO did not certify as achieving the required level of efficiency and effectiveness for EBO.
 - (iii) A discussion of the actions that the Secretary proposes to take, together with any recommended legislation that the Secretary considers appropriate, to address inadequate levels of efficiency and effectiveness for EBO achieved by the proposed budgets identified in the report.
 - (iv) Any additional comments that the Secretary considers appropriate regarding inadequate levels of efficiency and effectiveness for enterprise business operations achieved by the proposed budgets.
- (2) Nothing in this subsection shall be construed to modify or interfere with the budget-related responsibilities of the Director of National Intelligence.

DAFA specific

10 USC 192. DAFA Oversight

(c) **Periodic Review.**—(1) Every 2 years, the SD shall review the services/supplies provided by each DAFA to ensure:

- (A) there is a continuing need for the DAFA; and
- (B) the provision of services/supplies by the DAFA is more effective, economical, or efficient than the MilDeps or in meeting the combat readiness of the armed forces.

(1*) (A) Every 4 years, the CMO shall conduct a review of the effectiveness and efficiency of each DAFA (in connection with ongoing business enterprise reform).

(B) As part of each review, the CMO shall identify each activity of a DAFA that is substantially similar to, or duplicative of, an activity carried out by another DoD Component, or is not being performed adequately.

(C) The CMO shall develop internal guidance that defines requirements and provides clear direction for conducting and recording the results of reviews.

(2)(A) NLT 90 days after each review, CMO shall submit a report to the Congressional Defense Committees.

(B) The report shall include:

- (i) A list of the DAFA the CMO has determined: operates efficiently and effectively, and does not carry out substantially similar or duplicative functions of another DoD Component.
- (ii) For each DAFA not on the list, a plan for better meeting the Department's needs by:
 - (I) rationalizing the functions within the DAFA;
 - (II) transferring some or all of the functions of the DAFA; or
 - (iii) Recommendations for consolidating functions from the MilDeps into the DAFA.

(3) The SD, in consultation with the DNI, shall determine appropriateness, and procedures for, a review of NSA.

(d) **Special Rule for Defense Commissary Agency.**—The SD may not transfer responsibilities of DeCA to a MilDep unless specifically authorized by law.

(e) **Limitation on Termination.**—The SD may not terminate a DAFA until 30 days after submitting a report to the Defense Committees with notice of intent and recommendations for appropriate legislative actions.

40 USC 11319(d)(4). IT Review

(d) **IT Portfolio, Program, and Resource Reviews.**—(1) Process. The OMB Director, in consultation with Agency CIOs, shall implement a process to assist agencies in reviewing their portfolio of IT investments—

- (A) to identify or develop ways to increase the efficiency and effectiveness of the IT investments of the covered agency;
 - (B) to identify or develop opportunities to consolidate the acquisition and management of IT services, and increase the use of shared-service delivery models;
 - (C) to identify potential duplication and waste;
 - (D) to identify potential cost savings;
 - (E) to develop plans for actions to optimize the IT portfolio, programs, and resources of the covered agency;
 - (F) to develop ways to better align the IT portfolio, programs, and financial resources of the covered agency to any multi-year funding requirements or strategic plans required by law;
 - (G) to develop a multi-year strategy to identify and reduce duplication and waste within the IT portfolio of the covered agency, including component-level investments and to identify projected cost savings resulting from such strategy.
- (2) **Metrics and performance indicators.**—OMB/CIOs shall develop standardized cost savings/avoidance metrics and performance indicators for use by agencies.
- (3) **Annual review.**—The CIO, in conjunction with the COOs/Deputy Secretaries and the Administrator, Office of Electronic Government, shall conduct an annual review of the IT portfolio of the covered agencies.
- (4) **Applicability to the DoD.**—Processes established pursuant to this subsection shall apply only to DoD business systems (N.S.). The annual review shall be carried out by the CMO, in consultation with the CIO DoD, USD(A&S), and other DoD officials. The SD may designate an existing investment/management review process for the review.

Business Systems specific

31 USC 1124. PIO

(2) **Function.**—PIO shall report directly to the COO [DSD], and shall advise/assist the SD/DSD with respect to:

- (A) DoD mission/goals are achieved through strategic/performance planning, measurement, analysis, regular assessment of progress, and performance information to improve results;
- (B) DoD goals, including opportunities to collaborate with other agencies;
- (C) DoD strategic and performance planning [per Title 5 & 31, U.S.C.];
- (D) Conduct of regular reviews of agency performance;
- (E) DoD performance measures in personnel performance appraisals;
- (F) Communication of progress to leadership, Congress, & the public.

10 USC 131. OSD

(d) The Secretary of each military department, and the civilian employees and members of the armed forces under the jurisdiction of the Secretary, shall cooperate fully with personnel of the Office of the Secretary of Defense to achieve efficient administration of the DoD and to carry out effectively the authority, direction, and control of the SD.

10 USC 240b. FIAR Plan

(a)(1) CMO, in consultation with the USD(C), shall maintain a "Financial Improvement and Audit Remediation Plan".

(2) Elements. —The plan shall include specific actions to be taken to correct deficiencies; ensure financial statements are timely, reliable, and complete; and achieve unqualified audits for all major DoD elements.

(b)(1) **Annual report.**—

(A) The USD(C) shall provide an annual plan on the status of the implementation of the plan.

(B) Each report shall include an analysis of actions, status, description of work, timeline, costs, certification of results, and an assessment of the percentage of work being performed by qualified professionals.

(C) The reports shall be in unclassified form with an optional classified annex. The SD may not delegate submission to any official other than the DSD, CMO or USD(C).

(2) **Semiannual briefings.**—NLT Jan. 31 & June 30 each year, USD(C) & MilDep FMs shall provide briefings to CDCs with number/percentage of personnel performing audit activities [...]

10 USC 2222. DBS

(c) The SD shall issue guidance, and direct CMO, USD(A&S), CIO, and MilDep CMOs to issue supporting guidance.

(d) Guidance shall include continuous review of processes; requirements determinations; control of investments and data collection; periodic review; sustainability and use of open architectures; use of best practices, and audit requirements.

(e) The CMO shall develop and maintain the Defense Business Enterprise Architecture (DBEA); the DBEA shall be integrated into the Information Technology Enterprise Architecture (ITEA), developed by the CIO. The defense business enterprise shall include common enterprise data that may be automatically extracted.

(6) **Roles and responsibilities.**—

(A) The CMO shall have primary decision-making authority with respect to the development of common enterprise data. In consultation with the DBC, the CMO shall: develop an associated data governance process; and oversee the preparation, extraction, and provision of data across the defense business enterprise.

(B) The CMO and USD(C) shall document/maintain common enterprise data for their respective areas of authority; participate in data governance processes; extract data from DBS; ensure financial/audit data consistency; provide data access; and ensure consistency of common enterprise data.

(C) The DCAPE shall have access to data.

(D) The DoD Components shall provide access to relevant systems within their Component in order to populate common datasets.

(f) **Defense Business Council.**—The SD shall establish a DBC to provide advice to the SD on developing the defense business enterprise architecture, reengineering the Department's business processes, developing and deploying DBS, and developing requirements for DBS. The DBC is to be co-chaired by the CMO and CIO, and include the MilDep CMOs; USD(A&S) for acquisition, logistics, and installation management processes; USD(C) for FM and planning/budgeting processes; and USD(P&R) for HR management processes.

(g) **Approvals Required for Development.**—

(1) Before development, production, or fielding a DBS, SD shall ensure the system will: (A) Be streamlined/efficient and maximize elimination of unique software requirements and unique interfaces; (B) Be in compliance with DBEATEA; (C) Have valid/achievable requirements; viable implementation plan; (D) Have an acquisition strategy designed to eliminate/reduce tailored-COTS or unique requirements/interfaces; and (E) Be in compliance with the Department's suitability requirements.

(2) Appropriate approval officials for certification are: CMO for a priority defense business system; MilDep CMO for a MilDep system; CMO for a DAFA system or a system that supports more than one MilDep; or an official SD designates for such purpose.

(3) Officials shall annually certify that DBS continue to satisfy requirements or notify MDA with recommended corrective action.

(4) Funding non-certified DBS is an AntiDeficiency Act violation.

(h) **Responsibility of Milestone Decision Authority (MDA).**—The MDA for a covered DBS shall ensure that systems are not acquired until they comply with this section.

Source: OP&DS



CMO Inherited Responsibilities and Authorities

DCMO – Oct 2008

Responsibilities/Functions: **PSA and advisor to SD/SDS for matters relating to their management and improvement of DoD business operations.**

a. Assist DSD as CMO:

- (1) Recommend to OSD methodologies and measurement criteria to better synchronize, integrate, and coordinate the business operations to ensure optimal alignment in support of the DoD warfighting mission.
- (2) Develop and maintain Strategic Management Plan.
- (3) Advise on performance goals and measures.

b. Serve as the Capability Portfolio Manager for the Corporate Management and Support Portfolio.

c. Participate as a member of senior governance councils.

d. **Serves as the Performance Improvement Officer.**

e. Work with MilDep CMOs.

f. Assist OSD and DoD Components heads in ensuring that strategic plans, performance goals, and measures are aligned with/accountability to DoD strategic goals.

g. Ensure that business transformation policies and programs are designed and managed to improve performance standards, economy, and efficiency.

h. **Perform such other duties as SD/SDS may prescribe.**

Relationships

a. (1) **Report directly to DSD.**

a. (2) Exercise ADC over Director BTA.

Authorities

Delegated authority to:

a. **Issue DoD policy within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMs shall normally be communicated through the CJCS.

b. Obtain reports and information.

c. **Communicate, as appropriate, in carrying out assigned responsibilities and functions with: MilDep CMOs (through MilDep Secretaries), DoD Components, Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, and Members of the public (through ATSD(PA)).**

* Does not include CMO/DCMO or OSD Component Head responsibilities across other issuances.

DA&M – Feb 2008

Responsibilities/Functions: **PSA and advisor to SD on DoD-wide administration, organization, and management; Executes a hierarchy of responsibilities in support of the SD/SDS, DoD, OSD, DAFA, and Pentagon.**

4.1. AT/FP on Pentagon/NCR; OSD high-risk personnel.

4.2. Operations/continuity of Pentagon/RRMC.

4.3. Governance/reforms (support for DMAG).

4.4. Org/Mgmt issues; Congressionally mandated reforms.

4.5. Organizations, missions, and functions.

4.6. Chartering directives for OSD and DAFA.

4.7. Administrative transition and key personnel.

4.8. Oversee DoD EA and other management arrangements.

4.9. SD/SDS correspondence.

4.10. Issue DoD policy and oversee:

4.10.1. Directives Program.

4.10.2. Committee Management/FACA.

4.10.3. Federal Executive Boards.

4.10.4. Biennial Review of DAFA (per 10 USC 192).

4.10.5. Adjudication of complaints of reprisal by NAF employees and applicants based on IG DoD reports.

4.10.6. FOIA Program; **serve as Chief FOIA Officer.**

4.10.7. Security Review Program; serve as appellate authority.

4.10.8. Privacy Program; **serve as Senior Privacy Official.**

4.10.9. Regulatory Program; **serves as functional proponent for Regulatory Policy Officer.**

4.10.10. Combined Federal Campaign Fundraising.

4.10.11. United States Savings Bond Program.

4.10.12. Passport and Passport Agent Services (SecAR is DoD EA).

4.10.13. Standardization of military/associated terminology.

4.10.14. Major DoD Headquarters Activities.

4.10.15. Standardization of military/associated terminology.

4.11. Serve on boards/committees (represent SD on DoD matters outside DoD), as follows:

4.11.1. National Capital Planning Commission.

4.11.2. Defense Business Systems Management Committee.

4.11.3. Defense Human Resources Board.

4.11.4. Internal Controls Senior Assessment Team.

4.11.5. Continuity Executive Steering Group.

4.11.6. OSD Management Forum (serve as ExecSec).

4.12. Issue policy and oversee:

4.12.1. OSD Historical Program.

4.12.2. OSD Managers' Internal Control Program.

4.12.3. Premium Class Travel Program for OSD/DAFA/FACA.

4.12.4. Pentagon Executive Dining Facilities.

4.13. Approve Official Representation Funds (<\$50K).

4.14. Determine the Washington local commuting area.

4.15. Matters relating to special command positions (including matters related to furnishing quarters/providing amenities).

4.16. OSD Manpower Management:

4.16.1. Executive and political personnel in OSD.

4.16.2. National Security Personnel System (NSPS) for OSD.

4.16.3. Rep for Defense Intelligence Human Resources Board; allocate the DISES; manage the DISES/DISL Presidential Rank Awards.

4.17. OSD POM and BES submissions.

4.18. Manage official telecommunications equipment in private residences for national security purposes.

4.19. Oversee the following for the Pentagon Reservation:

4.19.1. Chair the Pentagon Governance Council.

4.19.2. Approve IT through the Pentagon Area C/O Council.

4.19.3. Appeals of protests to the DoD Concessions Committee.

4.20. Ensure economy, efficiency, and attentiveness to customers.

4.21. **Perform such other duties as the SD/SDS may prescribe.**

4.21.1. Report directly to SD.

4.21.2. Exercise Authority, Direction, and Control (ADC) over: **Director, WHS; and Director, PFPA.**

4.21.3. **OSD/DoD Component heads shall coordinate with DA&M on all matters related to DA&M responsibilities.**

4.21.4. **Relationships.**

4.21.5. **Authorities.** Delegated authority to:

4.21.6. **Issue DoD policy (exercising all authority of the SD) within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMs shall normally be communicated through the CJCS.

4.21.7. **Obtain reports and information.**

4.21.8. **Communicate, as necessary, to carry out assigned responsibilities and functions with: DoD Components; Communications to MilDeps through MilDep Secretaries and CCMs normally through CJCS.**

4.21.9. **DoD participation in non-DoD governmental programs.**

4.21.10. **Communicate with: Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, and Members of the public (through ATSD(PA)).**

4.21.11. **Security review appellate authority for OSD/OCJCS.**

4.21.12. **FOIA appellate authority for OSD/OCJCS/CCMD/DAFA.**

4.21.13. **Privacy Act appellate authority for OSD/OCJCS.**

4.21.14. **DoD Regulatory Planning and Review process.**

4.21.15. **Exercise DSD authority to cancel DoD Directives and approve administrative changes/reissuances of DoDD.**

4.21.16. **Approve premium-class travel for OSD/DAFA/FACA.**

4.21.17. **Collaborate with Labor Representatives regarding NSPS.**

4.21.18. **Issue NSPS implementing issuances for OSD/JS/DAFA.**

4.21.19. **Manage award of DoD miscellaneous grants.**

4.21.20. **Senior Management Official for the Pentagon Reservation and DoD facilities in the NCR in accordance with the National Response Plan, the National Incident Management System, and the National Infrastructure Protection Plan.**

4.21.21. **OSD Records Management/Declassification Programs.**

4.21.22. **Redelegate these authorities, as appropriate.**

4.21.23. **Relationships.**

4.21.24. **Authorities.** Delegated authority to:

4.21.25. **Issue DoD policy within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMs shall normally be communicated through the CJCS.

4.21.26. **Obtain reports and information.**

4.21.27. **Communicate, as necessary, to carry out assigned responsibilities and functions with: DoD Components; Communications to MilDeps through MilDep Secretaries and CCMs per policy.**

4.21.28. **Request temporary assistance from the DoD Components.**

4.21.29. **Communicate with: IOB of the PIAB, ODNI, Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, Members of the public (through ATSD(PA)).** Reps of foreign gov. and international orgs.

4.21.30. **Have complete and unrestricted access to all available intel and intel-related information, regardless of classification or compartmentalization, including SAP: includes authority to:**

4.21.30.1. **Require IG/DoD Comp. to report allegations of improprieties or illegalities of intel activities.**

4.21.30.2. **Obtain information on the status, proceedings, and findings.**

4.21.30.3. **Communicate directly on inspections/investigations, conduct interviews, take sworn statements, and examine records.**

4.21.30.4. **Monitor/conduct investigations of violations of law, orders, or policy, and other Questionable Intel Activities (QIAs).**

ATSD(IO) – Apr 2013

Responsibilities/Functions: **PSA and advisor to SD/SDS for intelligence oversight (IO); Independent oversight of all intelligence activities; Inspects all intelligence activities to ensure they comply with federal law and policy.**

a. Develops and issues IO policy to DoD Components.

b. Reviews any allegation questioning the legality or propriety of DoD intelligence activities; recommends and/or conducts investigations (jointly with Defense Criminal Investigative Organizations for potential criminal misconduct).

c. Reviews quarterly Intelligence Oversight reports and determines what action is required.

d. Lead for Intelligence Oversight Board (IOB) of the President's Intelligence Advisory Board (PIAB); **reports to SD/SDS, IOB, DNI, in coordination with GC DoD.**

(1) On an immediate basis, any Defense intelligence activities of a questionable, significant, or highly sensitive nature.

(2) On a quarterly basis, any Intelligence Oversight issues reported previously that have not been resolved or remain active.

e. Conducts staff assistance visits and independent inspections of DoD Components; ensures focus on intel and security.

f. Assesses/evaluates the performance of DoD intel activities.

g. Monitors intel investigations/inspections; evaluates finding; recommends corrective action to SD/SDS/IOB/DNI.

h. Serves on Defense Counterintelligence and Human Intelligence Enterprise Board of Directors; attends Senior Military Intelligence Officers Conference.

i. Reviews/validates funding audit for intel commercial activities.

j. Coordinates with USD(I), reviews clandestine intel and intel-related sensitive activities for compliance with law/policy.

k. Liaison with IC, federal, State, local, and tribal Law Enforcement (LE) org. to ensure support to LE agencies:

(1) Protect the civil liberties of DoD personnel and the public.

(2) Are conducted in accordance with all laws and policies.

l. Periodically reviews DoD sensitive support to DoD/USG.

m. Coordinates with the IG DoD on matters relating to IG AOR.

n. Develops IO outreach programs with international orgs.

o. Monitors, from an Intelligence Oversight perspective, the provision of Departmental intelligence support and involvement in DoD programs regarding information operations, special operations, critical infrastructure protection, DoD information assurance, homeland defense, insider threat, enduring constitutional government, continuity of government operations, and continuity of operations.

p. Provides IO training and materials to CCMD IG personnel.

q. Alerts Civil Liberties Officer/DoD Comp. heads on civil liberties issues when identified.

r. **Performs such other duties as the SD/SDS may prescribe.**

Relationships

a. (1) **Report directly to SD and DSD.**

a. (2) **USD(I) promptly informs of IO areas requiring attention.**

c. **OSD/DoD Component heads shall coordinate w/ATSD(IO) on all matters related to ATSD(IO) responsibilities.**

Authorities

Delegated authority to:

a. **Issue DoD policy within assigned authorities and responsibilities, including authority to propose collateral responsibilities of OSD and DoD Component heads; such instructions will be fully coordinated and this authority may not be delegated.** Instructions to the MilDeps shall be issued through the MilDep Secretary concerned; Instructions to the CCMs shall normally be communicated through the CJCS.

b. Obtain reports and information.

c. **Communicate, as necessary, to carry out assigned responsibilities and functions with: DoD Components; Communications to MilDeps through MilDep Secretaries and CCMs per policy.**

d. Request temporary assistance from the DoD Components.

e. Communicate with: IOB of the PIAB, ODNI, Other Executive Branch officials, Legislative Branch representatives (through ASD(LA) and Deputy Comptroller(BAA)), State and local officials, Members of the public (through ATSD(PA)). Reps of foreign gov. and international orgs.

f. Have complete and unrestricted access to all available intel and intel-related information, regardless of classification or compartmentalization, including SAP: includes authority to:

(1) Require IG/DoD Comp. to report allegations of improprieties or illegalities of intel activities.

(2) Obtain information on the status, proceedings, and findings.

g. Communicate directly on inspections/investigations, conduct interviews, take sworn statements, and examine records.

h. Monitor/conduct investigations of violations of law, orders, or policy, and other Questionable Intel Activities (QIAs).



DCMO-CMO Accomplishments

The following slides are a listing of DCMO and CMO accomplishments as identified by the CMO office

The DBB did not perform a verification of these accomplishments, these are self identified by the CMO, in addition, the DBB did not identify a third party verification of the accomplishments



DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON Elizabeth McGrath	ADCMO	10-9-08	6-24-10	Comptroller (DFAS)	Enacted FY 2008 NDAA (P.L. 110-181) – DSD as CMO; created DCMO of DoD at EX III; U/S of MILDEPs as CMOs	Disestablished the Business Transformation Agency; its functions and resources were transferred to DCMO
	DCMO (PAS)	6-24-10	11-15-13		FY 2011 NDAA (P.L. 111-383) – Creation of a stand-alone DCMO establishment provision (10 U.S.C. 132a) FY 2012 NDAA (P.L. 112-81) – Broadly revised 10 U.S.C. 2222; enlarged DCMO's role in the acquisition and investment for DoD Defense Business Systems	Reduced spending on IT for business systems by creating standards and promoting the use of smaller systems Transformed the approach to business operations away from short-term, risk averse, status quo behaviors to a more strategic, enterprise-focused environment Oversaw the electronic health record effort with the Department of Veterans Affairs (move away from a shared electronic health record to ensuring interoperability and data standardizations across both separate systems) Issued DoD strategic management plan
Mr. Kevin Scheid	ADCMO	11-25-13	5-20-14	Deputy DoD Comptroller	Secretary Hagel directed the merger of the DCMO, DA&M, and the Assistant to the Secretary of Defense for Intelligence Oversight	N/A
Mr. David Tillotson	ADCMO	5-20-14	5-26-15	DCMO, USAF AF Acquisition Intel	FY 2015 NDAA (P.L. 113-291) – Created USD for Business Management and Information (USD(BM&I)) at EX II (effective 1 Feb 17) to: serve as CIO and PIO; exercise ADC over IAD/NSA; and take precedence before USD(AT&L)	Advanced a legislative proposal to increase the pay level for the DCMO from EX III to EX II, and making statutory changes to the responsibilities of the DCMO and CIO in their establishment provisions

Source: OCMO

Approved by DBB - 6 May 2020



DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON Peter Levine	DCMO (PAS)	5-26-15	1-20-17	Staff Director, SASC	FY 2017 NDAA (P.L. 114-328) – Eliminated USD(AT&L); established USD(R&E), USD(A&S), and CMO (without EX level), effective 1 Feb 18; repealed USD(BM&I) provision but did not eliminate DCMO	<p>Achieved a goal of saving \$7B over the FYDP (achieved the goal through headquarters reductions, service contractor cuts, IT efficiencies, and a new business model for defense commissaries)</p> <p>Testified that while the Fourth Estate could perform more efficiently, a proposed 25 percent cut was unrealistic and would be counterproductive</p> <p>Implemented new headquarters reductions, in collaboration with DoD components and congressional oversight committees</p>
Mr. David Tillotson	ADCMO	4-8-16	11-8-17			Obtained approval by Secretary Mattis to “let stand” the statutory provision which gave the CMO “authority to direct the Secretaries of the military departments and all other organizational elements of the Department with regard to matters for which the CMO has responsibility subject to the delegation of the Secretary vice seeking legislation to [clarify] such authority.”

DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON John “Jay” Gibson	DCMO (PAS)	11-8-17	1-31-18	Defense Industry; Comptroller, Air Force	FY 2018 NDAA (P.L. 115-91) – Creates CIO PAS official; revises CMO statutory responsibilities; codifies CMO in 10 U.S.C. 132a (thereby eliminating the DCMO); makes CMO an EX II official; bifurcates CIO roles (with CMO) in 10, 40, 44 of U.S.C.	Co-sponsored a DoD audit with USD(C) Stood up first 9 Reform Teams
	CMO (PAS)	2-20-18	11-30-18		FY 2019 NDAA (P.L. 115-232) – Codifies bifurcation of Federal CIO responsibilities; revises CMO responsibilities by requiring: DAFA to provide their budgets to CMO for certification (efficiency and effectiveness of EBO), CMO to reform EBO of DoD, establish a consistent reporting framework for the costs of functions, and certify 25% savings against the cost framework	

DCMO-CMO Accomplishments

Incumbent	Position	Appointed	Departed	Prior Experience	Legislative and Policy Developments	Accomplishments
HON Lisa Hershman	DCMO (non-PAS)	12-1-18	12-31-19	Industry (supply chain logistics, technology, aerospace, auto industry); Internationally Published Author – <i>Faster, Cheaper, Better – The 9 Levers for Transforming How Work Gets Done</i>	Foundations for Evidence-Based Policymaking Act, 2018 (P.L. 115-411) – Requires SD to: develop a plan to identify and address policy questions to be included with the annual DoD performance plan, designate an employee as the DoD Evaluation Officer, designate a statistical official, and designate a nonpolitical appointee as Chief Data Officer	<p>Saved \$4.7B through Reform in FY17-18</p> <p>Institutionalized Reform / Transformation Office with a Reform business case process and database to track Reform initiatives (Reform Portal)</p> <p>Created a process to validate Reform savings with Comptroller (Rainbow Chart)</p> <p>Achieved \$72B (OMB Target: \$58B) in Spend Under Management through Best-in-Class solutions, Multi-Agency Solutions, and application of Category Management Principals</p> <p>Achieved \$16.25B (OMB Target: \$16B) in Best-in-Class government-wide contract solutions</p> <p>Led the DWR in conjunction with CAPE and Comptroller to identify an additional \$5B in savings</p> <p>Executed contract management sprints and contract negotiation training (projected to save \$1.4B over the FYDP)</p> <p>Executed Defense Regulatory Reform efforts resulting in \$21.23M in cost savings through regulation repeals</p> <p>Applied data analytics using common enterprise data and industry standard data to inform DoD decisions. <u>Example:</u> informed the Microsoft contract renegotiation resulting in improved pricing by 10% and potential run rate savings of \$2-4B.</p> <p>Led the signing of the USALearning MOA with OPM resulting in greater efficiency and cost avoidance in training through economy of scale acquisition of training courses</p> <p>Cleared late CRRs within 8 months of assuming A/CMO; completed the sec. 921 reports (FY 2019 NDAA)</p> <p>Operationalizing Fourth Estate Management Office to execute Secretary Esper's vision of oversight of Defense-wide accounts</p>
	CMO (PAS)	12-31-19	Present			

Source: OCMO

Approved by DBB - 6 May 2020



DCMO-CMO Accomplishments

Army, Multi-Year Procurement, Boeing AH-64 Apache - \$44.7M: The Department of the Army saved \$44.7M in FY17 and FY18 by procuring up to 90 Apaches in a five year contract to receive an 11.2% discount based on estimate of a single year contract. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Cybersecurity Mission Functions - \$9.5M: The Defense Logistics Agency (DLA) saved a total of \$9.5M from FY17 to FY18 by consolidated system security management personnel under a single DLA authority and organization. Additional projected cost savings for FY19 totaled \$1.2M. Consolidation took place within the unified Enterprise Service Area (45 Govt. FTEs) and reduction in non-labor funded support which led to these savings. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

DLA J6/Aviation/NGA Mapping - \$10M: The National Geospatial-Intelligence Agency (NGA) saved over \$10M in FY18 through the transition of six mapping facilities to on-demand printing operations in support of the warfighter. On-demand print facilities resulted in a 90% reduction in print times, 50% reduction in print volume, and a staggering 140 million physical maps removed from warehouses, with more to follow in out-years. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

DLA Reform Activities - \$150M: Cost reductions in FY18 as a result of efficiencies in Industrial Supply Storage. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Leased Space Reduction (Phase 1) - \$52.8M: Washington Headquarters Services (WHS) saved \$52.8M of annual recurring savings starting in FY18. WHS eliminated 38 leases in Phase 1 of the Leased Space Reduction Effort. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Navy, Multi-Year Procurement (Bell Boeing V-22 Osprey) - \$8.5M: The Department of the Navy saved \$8.5M by procuring 62 Ospreys for the U.S., and four Ospreys for Japan in seven year contracts to receive a 9.4% discount based on an estimate of a single year contract. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Navy, Multi-Year Procurement (USS Arleigh Burke DDG-51) - \$97.9M: The Department of the Navy saved \$97.9M in by procuring 10 Arleigh Burkes in a five year contract resulting in a 9.3% discount based on an estimate of a single year contract. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))



DCMO-CMO Accomplishments

Omnibus Part IV: Sale of Obsolete Equipment - \$407.8M: The Department of Defense reprogrammed \$407.8M from the sales of nine older UH-60 Black Hawks through a GSA auction, 10 older UH-60 Black Hawks to Afghanistan, 100 older MIM-104 Patriot Missiles to UAE, and four older C-130 Hercules to Chile and the Philippines. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

IT Reform

Enterprise Licensing Agreement: Instantiated enterprise licensing agreements to drive down the costs of individual licenses for Army, Navy, Air Force, USD(C), and five Defense Agencies/Field Activities. (\$63.42M) ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Circuit Optimization: The Chief Information Officer's Circuit Optimization Plan programmed \$13.1M in a reduction of costs by eliminating 1,000 of the 11,000 of necessary defense-wide circuits. ([CMO/USD\(C\) 6 June 2019 Paper](#))

Data Center Infrastructure - \$64.13M: As of 30 June 2018, 1,028 data centers have been closed with a goal to close 2,116 out of 3,617 data centers by FY2025. (\$64.13M) (FY18). ([CMO/USD\(C\) 6 June 2019 Paper](#))

Defense Media Activity Business Process and Systems Review: As of 30 June 2018, 1,028 data centers have been closed with a goal to close 2,116 out of 3,617 data centers by FY2025. (\$64.13M) (FY18). ([CMO/USD\(C\) 6 June 2019 Paper](#))

- A Business Process and Systems Review for the Defense Media Activity reduced IT services and contracts to save \$5.6M of the annual estimate of \$92 in FY18 spend for IT services within DMA. ([33 Reform Examples and Savings for Nomination Hearing Use 2019 1024](#))

Fourth Estate Business Operations Improvement - \$80.4M: The Fourth Estate conducted a standard system investment process which resulted in opportunities for modernized technology which changed business processes and reduced the total operating costs for the Army, Navy, Air Force, CMO, USD (C), and DFAS. (\$80.4M). ([CMO/USD\(C\) 6 June 2019 Paper](#))

Fourth Estate Cloud Migration Reform: Accomplishment of the Reform: This initiative migrates 765 Fourth Estate applications/systems to alternate cloud and data center hosting environments to enable the closure of 71 legacy data centers and facilitate the transition to a cloud-enabled future. Since August 1 2019, 23 systems have been migrated to a commercial cloud and two systems have been decommissioned. ([SWPR 20191104](#))



DCMO-CMO Accomplishments

Fourth Estate Cloud Migration: Transition the 4E to a cloud-enabled future: To achieve the DoD objectives of a cloud-enabled environment, an FY20 investment of \$21.3 Million (\$84.3 Million, FYDP) was established to migrate, rationalize, refactor, and transition 4th Estate systems and applications into targeted cloud environments. This transition to the cloud results in a gross savings of \$113.9 Million over the Future Year Defense Plan (FYDP). This transition allows the Department to leverage advanced commercial capabilities and modernize IT capability delivery to support a diverse range of 4th Estate missions. [CMO Confirmation Hearing \(2019-10-24\) Prep \(IT Vignette\)](#)

Fourth Estate IT Optimization: Modernize and Converge 4E IT Enterprise: Facilitating the unified command and control of a converged, efficient, and effective 4th Estate Enterprise IT environment, 1,229 personnel have been re-aligned from Defense Agency or Field Activity (DAFA) positions into the Defense Information Systems Agency (DISA) Defense Working Capital Fund (DWCF). DWCF positions provide the Department additional flexibility to both invest and divest personnel, as required, for a scalable enterprise approach. Additional FY20 savings of \$2.6 Million (\$27.3 Million, FYDP) is attributed to the efficiencies gained through the transition, to include consolidation of IT Service Desks and contract. [CMO Confirmation Hearing \(2019-10-24\) Prep \(IT Vignette\)](#)

Fourth Estate Network & Service Optimization: Accomplishment of the Reform: This initiative consolidates 44 networks, 22 organization's service desks and 44 operations centers into a single service provider to improve visibility of cyber security vulnerabilities, reduce operating expenses, and create a consistent user experience. The Resource Management Group concurred to proceed with recommended Business Case Analysis proposed migration of DAFA networks into a single service provider. The Fourth Estate Network Optimization Execution Guidance Memo that grants DISA the authority was issued. [\(SWPR 20191104\)](#)

IT Consolidation - \$63M: DoD has more than 2,500 data centers, 355 cloud efforts, 48,000 applications, 11,000 circuits, and 1,850 business systems. Standardizing and modernizing the IT environment of networks, services, data centers, and leveraging Enterprise capabilities eliminates duplicative systems, and allows the Department to focus finite cyber resources across fewer areas, ultimately shrinking DoD's cyber threat. This has saved us \$63 million through FY 2020 and will save us another \$73 million through FY 2024. Additionally, in the defense agencies, we are consolidating 44 networks and 22 service desks into a single Enterprise service provider for Common Use IT and are closing 71 legacy data centers (18 closed; six more by the end of December). [SASC Audit Written Testimony 2019-11-18](#)



DCMO-CMO Accomplishments

NCR IT Consolidation - \$14M: Army and Washington Headquarters Services have renegotiated memorandums with Joint Service Provider to best align agreements with needs, eliminating unnecessary requirements. (\$14.0M) (FY18). ([CMO/USD\(C\) 6 June 2019 Paper](#))

Streamline Risk Management Framework (RMF) Process: Improvements to Cyber Security Processes and Analysis: Through the implementation of improved RMF processes, procedures, tools, and training guidance, the Department was able to achieve FY20 savings of \$2.6 Million (\$12.6 Million, FYDP). This streamlined RMF process will improve the security of the Department's risk evaluation approach, and reduce the timeline for delivering new capabilities. ([CMO Confirmation Hearing \(2019-10-24\) Prep \(IT Vignette\)](#))

Contract Management

Service Requirements Review Board (SRRB) and Contractor Courts - \$932M: The entire Fourth Estate (60+ organizations) participated in contract service requirements reviews executing a reduction of funding for studies/analysis, elimination of contracts, and a reduction of unnecessary contract support resulting in \$932M programmed savings in FY17 (\$141M), FY18 (\$350M), and FY19 (\$441.5M): \$932M. ([DAFAs – Hershman Confirmation \(SRRB Reform Team 5 February 2020\)](#))

Community Services Reform

Enterprise Management of Community Services - \$0.4B - \$0.7B: Accomplishment of the Reform: A business case analysis projected a consolidation of the defense resale enterprise would save \$0.4B – 0.7B annually, beginning in 2025, across both Appropriated and Non-Appropriated Funding. Primary savings will come from synergy of resale procurement, non-resale procurement, and the organizational structure. ([Report to Congress: DoD Assisted Report on the Development of a Single Defense Resale System, 1 Feb 2019](#))



DCMO-CMO Accomplishments

Defense Business Systems

Assisted Acquisition through USALearning - \$122M: The DoD directed all Components to engage OPM USALearning resulting in a consolidation of to satisfy training and education requirements, including learning hardware, software, courseware, and other externally procured training and associated services. The purpose of this enterprise approach is to provide improved quality, more rapid acquisition and modernization outcomes, and more cost-optimized training and education products and services compared to DoD acquisition processes separately undertaken by each Component. USALearning will also support the development and hosting of a DoD-wide Common Course Catalog and Common Learning Record Repository. This effort resulted in programmed savings of \$122M in the FYDP. ([20-24. CMO Confirmation Hearing \(2019-10-24\) – Briefing Binder](#))

Defense Travel Modernization - \$280M: The Defense Travel Modernization reform effort simplified defense travel policy and launched a prototype capability to adopt commercially available travel processing, reducing travel booking time from four hours to one, per person, per trip, saving the Department 5-7 million labor hours per year. This initiative has saved \$160 million in FY17 and FY18, and an additional \$120 million in FY19. The savings from travel reform are all from policy changes related to restricted fares. As a result, the savings were in the price of tickets, not man hours. The dollars reflected were taken out of the MILDEPs/DAFA budgets via RMD. ([CMO Confirmation Hearing \(2019-10-24\) Briefing Binder](#))



DCMO-CMO Accomplishments

Healthcare Reform

Imaging Related Medical Device Review - \$3.00M: Savings identified by establishing more efficient utilization and laydown of CT Scanners and MRI Devices across the Military Health System. (FY18). [\(Joint CMO/USD\(C\) 6 June 2019 paper\)](#)

Military Health IT Optimization - \$68.9M: Savings achieved through Win10 migration, Desktop to Data Center implementation, baselining IT spend to the level of each expenditure and reconfiguring health IT to drive both operational and personnel efficiencies. This effort has booked \$68.9M savings to date, but has been reinvested back into Health IT to offset increased security and support requirements for the new electronic health record and added system cybersecurity requirements. [\(Joint CMO/USD\(C\) 6 June 2019 Paper\)](#)

TRICARE Copays - \$166M: NDAA 2017 mandated copays for retirees who entered service after 31 December 2017. As a result, DoD aligned retiree copays for the “grandfathered” retirees (those who entered service prior to 1 January 2018) to be comparable with the future retiree co-pay rate. This increase in co-payments for care resulted in the savings accrued. [\(Joint CMO/USD\(C\) Paper 6 June 2019\)](#)

TRICARE Managed Care Contract - \$352.9M: Changes in fees applied to the estimated \$16B annually TRICARE health care contracts was implemented in FY18 and realized \$352.9M in savings with \$2.4B planned through FY21. [\(Joint CMO/USD\(C\) 6 June 2019\)](#)

MTF Business Model sized to Readiness Requirement: Accomplishment of the Reform: Thirty-one MTFs were transferred to DHA on 1 OCT 2018 meeting the Departmental transition timeline. Planning efforts to transfer ADC for remainder of MTFs in OCT 2019 with MILDEPs providing direct support until transfer of all functional capabilities is on-going. Four Markets have begun training and will be in place by end of FY2020 1st quarter. [\(SWPR 20191104\)](#)



DCMO-CMO Accomplishments

Health Care: Reform isn't only about savings, in healthcare it's about restoring military readiness and providing quality care for over nine million eligible individuals. In implementing the FY 2017 NDAA provisions (Sections 702, 703, and 721), we are strengthening the readiness of our military's medical force, while improving health care quality for our military and their families. Our largest undertaking is the ongoing consolidation of the Medical Treatment Facilities (MTFs) under the authority, direction and control of the Defense Health Agency. When complete, DoD will have a unified medical delivery system that more efficiently integrates purchased care and MTFs. ([SASC Audit Written Testimony 2019-11-18](#))

Supply Chain Logistics Reform

Warehouse Utilization - \$540M: The Department is executing a transfer of Supply, Storage, and Distribution (SS&D) efforts to the Defense Logistics Agency. The consolidation of SS&D functions from the Military Services results in reduced infrastructure footprint by location, improved warehouse utilization, reduced cost, decreased depot response time, and consolidated inventory. During this transition, the Department will maintain the same or better level of readiness and generating a projected \$540M in savings by 2024.

([CMO Confirmation Hearing \(2019-10-24\) Prep \(Briefing Binder. Logistics and Supply Chain Info Paper, DAFA\)\)](#))

Alternatives to Forecasting: DLA implemented an alternative to their traditional forecasting methods for items with unforecastable demand in FY13, which decreased backorders for these items from 105,000 to 70,000 and reduced the number of procurement actions for these items by 35%. ([CMO Confirmation Hearing \(2019-10-24\) Briefing Binder](#))



DCMO-CMO Accomplishments

Maps on Demand: The implementation of DLA's Print on Demand mapping capability reduced inventory by 95%, print times by 90%, and removed 130 million physical maps from warehouses; freeing up over 180,000 square feet of space. The majority of the stored Maps were located at DLA Aviation in Richmond, VA. Specifically, building 60 warehouse was freed up by the Maps on Demand initiative, and now is temporarily being used to house Disposition Services Regional Office along with associated rack storage and equipment until a final disposition decision is made regarding the building). ([CMO Confirmation Hearing \(2019-10-24\) Prep \(DAFA\)](#))

New DLA Planning Model: DLA implemented a new planning model for items with irregular demand in FY2013, which decreased backorders for these items from 105,000 to 70,000 and reduced the number of procurement actions for these items by 35%. This new planning model is now being adopted across the Military Services. Alternative that DLA implemented relative to their traditional forecasting methods for items with unforecastable demand in FY2013: DLA is using Peak Policy for items with sporadic demand: Because of sparse demand, traditional models forecast zero for these items. Because these items are mission critical, we can't afford to not stock them. Peak policy uses techniques to balance the need for effectiveness against efficiency. DLA is using Next Gen for items with frequent, highly-variable demand: Demand variability causes "requirements churn" by overreacting to demand spikes. Churn has a one-way effect-reducing a level doesn't reduce a physical asset we already own, but increasing a level requires another asset. Traditional approaches don't treat items with significant levels of uncertainty any differently than forecastable items-calculating very large safety levels to compensate for the uncertainty. This approach uses risk-hedging strategies to calculate more efficient and effective levels. ([DAFAs – CMO Hearing Confirmation \(2019-10-24\) Prep \(DAFA\)](#))

Personnel Management

Background Investigations: DoD assumed responsibility for the majority of the background investigations for the federal government. We began with a backlog of 725,800 in April 2018 and have lowered the backlog by 437,800 as of October 2019. We are adopting continuous monitoring in lieu of periodic reinvestigations. Continuous monitoring is a vetting and adjudication process to use technology to evaluate security clearance holders on an ongoing basis, instead of more expensive periodic investigations. ([SASC Audit Written Testimony 2019-11-18](#))



DCMO-CMO Accomplishments

Defense Agencies/ Field Activities Civilian Personnel Reductions - \$55.19M: Reduced funds and manpower to implement management headquarters civilian personnel reductions in the 27 Defense Agencies and Department of Defense Field Activities. (\$55.19M) ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Major Headquarters Activities - \$2,555.8M: Reduced MHA including military manpower and spending cuts from the FY2016 baseline, resulting in savings of \$1,131M in FY17, and \$1,424M in FY18. This reduction resulted in a reduction of 3,800 civilian and military billets in FY2017. (\$2,555.80M) (FY17, 18). ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

OSD Civilian Personnel Buyback - \$2.75M: Conducted reductions in management headquarters and layering initiatives to appropriately address the civilian manpower requirements. (\$2.75M) ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Financial Management

Audit Findings: Through the 2018 audit, the Department of Defense saved \$53M by identifying missile motors not previously accounted. ([Joint CMO/USD\(C\) 6 June 2019 Paper](#))

Defense Financial and Accounting Service (DFAS) System Termination: Citation(s): Accomplishment of the Reform: In FY 19 DFAS retired four systems (ICPS, TSS, SAMS, CHOOSE). ([RMG Bi-Weekly Update Oct 30 2019](#))

Retired DFAS Legacy Systems through FY 2019: In FY 19 DFAS retired four systems (ICPS, TSS, SAMS, CHOOSE). ([RMG Bi-Weekly Update Oct 30 2019](#))



Reform - Historical Context

George C. Marshall - Ordeal and Hope 1939 - 1942

STREAMLINING FOR ACTION in *George C. Marshall: Ordeal and Hope 1939-1942* by Forrest C. Pogue

p289 - "The time was long past when matters could be debated and discussed and carried on ad infinitum" *"Get action where action was needed with or without reference to the deputy chiefs of staff but ... with a brief note to the [chief of staff] on the action taken in his name."*

Gen McNarney on the committee to reorg the war department

- "If a decision had to be made that affected an individual doughboy it had to be referred over to the Chief of Infantry ... back to the General Staff ... eight assistance secretaries ... who did nothing but brief papers so that could be presented the Chief of Staff and...the three deputy chief of staff"

p293 - "It was taking too long to get a paper through the War Department. *Everybody had to concur. About 28 people had to pass on matters. I can't stand it.*" 'He asked for' "some kind of organization that would give the Chief of Staff time to devote to strategic policy and the strategic aspects and direction of the war"

p293 *"Integration of the arms and the services into a fighter force was what Marshall* wanted and he intended to get it, at the expense of cutting away much that was deeply embedded in the War Department's past

p295 - *"Only under the pressure of war and the shock of Pearl Harbor would it have been possible to stifle the heated protests of the officers whose authority was being eliminated or sharply curtailed"* "direct access to the Chief of Staff from some sixty to about six were essential to a successful war effort"



OCMO Role in Reform – Strategic Guidance

SASC Committee Report to FY2017 NDAA – May 18, 2016

- Subtitle C: Organizational strategy for the Department of Defense (sec. 941)
- “Identify most important missions/ priority output” and “*Reform the way that the OSD operates*”

Strategy is required to address existing impediments

- Sequential, hierarchical planning and decision-making processes oriented around functional *bureaucratic structures that are excessively parochial, duplicative, and resistant to integrated operations and solutions*
- Layered management structures and processes that today serve as the only means of cross-functional integration and decision-making, which results in *most decisions being elevated to senior levels*, consuming excessive time and leadership attention, *diluting the influence of staff expertise, and contributing to outcomes based on lowest-common-denominator consensus rather than clear, coherent, efficacious courses of action*

The *strategy must address the underlying causes of these problems*:

- *A non-collaborative culture in DoD* that lacks shared purpose and values;
- Structure, processes and leadership behaviors that *value consensus more than clarity* and reward effort rather than effectiveness, which thus and are a powerful disincentive to collaboration;
- *Risk aversion* arising from *empower components to easily block but not advance coherent initiatives* fear of the consequences of real or perceived failure and the lack of incentives and rewards for appropriate risk-taking;
- *Lack of viable alternative mechanisms for integrating* across the almost exclusively *functionally aligned* components of the Department



OCMO Role in Reform – Strategic Guidance

Secretary Mattis “Its good to be back” memo – Jan 20, 2017

- “*we are devoted to gaining full value from every taxpayer dollar* spent on defense”

Budget Guidance Memorandum to the Department - Jan 31, 2017

- Secretary Mattis described that DoD must improve how it does business in order to increase lethality, improve readiness, and grow the capability and capacity of our forces
- Announced that FY 2019-2023 Defense Program will contain an ambitious reform agenda

SecDef memo: DSD tasked to identify business services and tasks that no longer merit individual military department approaches – Feb 2017 [GAO 19-157SP]

OMB Memo M-17-22 Comprehensive Plan for Reforming the Federal Government and Reducing the Federal Civilian Workforce - Apr 12, 2017

- Too much...creating new programs instead of eliminating or reforming programs which are no longer operating effectively
- Too many overlapping and outdated programs, rules, and processes, and
- Too many Federal employees stuck in a system that is not working for the American people
- Aim is to make government lean, accountable, and more efficient
- Deliverables: Agency Reform Plan to OMB in September 2017 as part of the agency's FY 2019 Budget submission (High draft due June 30)



OCMO Role in Reform – Strategic Guidance

National Defense Strategy Summary – Jan 19, 2018

Rebuilding military *readiness* and building a more lethal Joint Force (LOE #1)

- This a service responsibility *with significant business enterprise operations* interaction
 - Supply management of reparable and consumable items (Working Capital Fund)
 - Procurement and spares for non-reparable items (Working Capital Fund)
 - Maintenance services for Weapons Systems Sustainment (WSS) (Working Capital Fund)
 - Direct service appropriations and OCO for Cost Per Flying Hour and WSS
 - Transportation working capital fund
 - DLA energy and supply chain (Working capital funds)
 - Real property funding for Dynamic Force Employment posture
 - Direct service appropriations for IT investment

Reforming the DoD's business practices for greater performance and affordability (LOE #3)

- The Current bureaucratic approach, centered on *exacting thoroughness and minimizing risk* above all else, is proving to be increasingly *unresponsive*
- We must transition to a culture of performance where results and accountability matter
- *Shed outdated management practices* and *structures* while integrating insights from business innovation
- Department *leaders will* adapt their organizational structures to best support the Joint Force. *If current structures hinder substantial increases in lethality or performance*, it is expected that Service Secretaries and Agency heads will consolidate, eliminate, or restructure as needed
- *We will reduce or eliminate duplicative organizations and systems* for managing human resources, finance, health services, travel, and supplies



OCMO Role in Reform – Strategic Guidance

FY19 NDAA Subtitle C—Comprehensive Pentagon Bureaucracy Reform and Reduction, Section 921– Aug 13, 2018

- Amends 123a CMO authority:
- “(7) Serving as the official with principal responsibility in the Department for minimizing the duplication of efforts, maximizing efficiency and effectiveness, and establishing metrics for performance among and for all organizations and elements of the Department.”
- (c) BUDGET AUTHORITY.—(1)(A) Beginning in fiscal year 2020, the Secretary of Defense...shall require the *head of each Defense Agency* and Department of Defense Field Activity specified by the Secretary ... to transmit the proposed budget of such Agency or Activity for enterprise business operations ...to the Chief Management Officer for *review*
- ‘(B) The CMO shall review each proposed budget ...*and...submit to the Secretary a report ...with the certification of the CMO regarding whether each such proposed budget achieves the required level of efficiency and effectiveness for enterprise business operations*
- The Secretary shall submit to Congress ...Identification of each proposed budget ... that the Chief Management Officer did not certify as achieving the required level of efficiency and effectiveness for enterprise business operations.

Sec. 923. *Periodic review of the Defense Agencies ...by the CMO*

Sec. 924. Actions to increase the efficiency and transparency of the *Defense Logistics Agency*

Sec. 925. Review...of *Defense Contract Audit Agency* and *Defense Contract Management Agency*

Sec. 926. Review and improvement ...the *Defense Finance and Accounting Service*.

Sec. 927. Assessment of *chief information officer functions* in connection with transition to *enterprise-wide management of information technology* and computing



OCMO Role in Reform – GAO High Risk Series

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas – March 2019

Removed item now off the list

- Supply Chain Management
- Cites progress 2014-2017 (11 outcomes)
- Last 7 outcomes resolved
 - Asset visibility and Material Distribution
 - Criteria: monitoring and progress
- *Report does not show reform connection*

GAO 2019 High Risk List

Transforming DoD Program Management

- DoD Weapon Systems Acquisition
- DoD Financial Management
- DoD **Business Systems Modernization**
- DoD Support Infrastructure Management
- DoD Approach to **Business Transformation**

Business Transformation

- The structure and processes and the involvement of a key leader on DOD's Reform Management Group (RMG) have changed and remain unclear
- *GAO downgraded the capacity criterion* from met in 2017 to partially met in 2019
- DOD's *budget request for OCMO has declined from FY 2017 to FY 2019. At the same time, the CMO's authorities and responsibilities have expanded* [2018 NDAA and 2019 NDAA responsibilities]
- Reform teams have encountered challenges that could impede their progress (initiative funding)
- "Met" action plan hit from 2017 High Risk issue w/ 2018 National Defense Business Ops Plan
- RMG in summer 2017 was initially chaired by DSD and co-chaired by the CMO and CAPE
 - *In October 2018, the Director of CAPE told us, and a senior OCMO official later confirmed, he was no longer co-chairing the group*



OCMO Role in Reform – GAO High Risk Series

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas – March 2019

Business Transformation – continued

- DoD is working to develop a cost management framework to estimate cost savings for its reforms
- Without a reliable cost estimate that includes a cost baseline, DoD will be unable to determine and accurately report actual savings achieved from its reform efforts

DoD established nine functional reform teams in February 2017

- “it remains to be seen how effective these reform teams, or...reform initiatives” become
- *DoD has not met many of its internal goals and milestones for business operation reform*
- Absence of a clear process for identifying and prioritizing available funding for reform teams may impede their progress

In November 2018, CMO officials told us they *planned on narrowing the scope of reform* efforts to focus on four areas:

- Fourth Estate
- Information technology
- Health care
- DoD’s buying of goods and services called category management.

GAO warns of ignoring deemphasized areas, especially Human Resources



OCMO Role in Reform – GAO High Risk Series

GAO-19-157SP HIGH-RISK SERIES: Substantial Efforts Needed to Achieve Greater Progress on High-Risk Areas – March 2019

GAO “In order to make progress in ...business transformation, DoD should”

- Provide department-wide guidance on the CMO’s roles, responsibilities, and *authorities*
- Implement and communicate a process for providing resources to the reform teams, including funding to implement reform initiatives, as needed;
- *Demonstrate that the National Defense Business Operations Plan is being used* and updated, as needed, to guide reform efforts;
- Ensure that the *Reform Management Group continues to monitor* and oversee reform team progress
- Fully populate and actively use the dashboard and the associated milestones and metrics to gauge team success in identifying and achieving efficiencies and cost savings;
- *Establish the cost baseline required by § 921* of the John S. McCain NDAA for Fiscal Year 2019 and use it to accurately estimate savings anticipated within the business functions covered under the NDAA;
- Develop additional cost baselines, modeled on the baseline created in accordance with the NDAA for Fiscal Year 2019, to *accurately track actual savings resulting from implementation of reform initiatives* in additional business functions, such as health care management;
- Effectively *consolidate key business functions in the department* and show cost savings from the consolidation; and
- Demonstrate progress in implementing reform efforts outlined in the National Defense Business Operations Plan, including those not covered by the reform teams



OCMO Role in Reform - GAO Reports

GAO-19-157SP HIGH-RISK SERIES

Reform team membership relies on the military services' and DAFAs' continued willingness to provide members for each of the teams.

Further, DoD senior leaders told us they plan to move many of the teams out of the OCMO to the components responsible for the functions they are trying to reform. *This development raises questions about whether the teams will be fully empowered and sufficiently independent to drive change*

GAO 19-165

One senior DoD official involved in the *reform* effort acknowledged that the teams' progress has been uneven. He cited a number of factors that can affect teams' implementation, *including the degree to which the teams have support from the highest levels of department leadership to operate independently and advance changes that may be unpopular with internal or external stakeholders*, and the *ability of teams to tackle longstanding systemic challenges*, such as *inaccurate cost data throughout the department*. This official and several teams we met with cited the importance of the team leader's commitment to driving team success.



OCMO Role in Reform – Section 911 Series

FY2017 NDAA – Dec 23, 2016

Fourth report: 2017 NDAA § 911 (GAO 19-165) – Jan 17, 2019

Nine cross-functional teams are driving DoD's enterprise business reform ...but the teams' progress has been uneven

September 2018, DoD reported that these nine teams were pursuing a total of 135 business reform initiatives

- 104 of these initiatives have not reached the implementation phase
- DoD did not fulfill four of nine funding requests from the teams in FY18 to implement initiatives

Third report: 2017 NDAA § 911 (GAO 18-513) – June 25, 2018

- DoD had established 10 cross-functional teams that were in various stages of implementation;
- DoD had updated, but not issued, its draft organizational strategy; and
- DoD had not fulfilled three statutory requirements related to guidance and training for cross-functional teams and presidential appointees

Second report: 2017 NDAA § 911 (GAO 18-194) – Feb 28, 2018

- DoD's draft organizational strategy did not address all elements required by statute
- DoD had established one cross-functional team, and that draft team guidance addressed most statutory elements and leading practices for implementing cross-functional teams; and
- DoD had developed, but not provided, training for its presidential appointees and cross-functional team members, but the training for the presidential appointees did not address all statutory requirements



OCMO Role in Reform – Section 911 Series

FY2017 NDAA – Dec 23, 2016

First report: 2017 NDAA § 911 (GAO 17-523R) – Jun 23, 2017

- DoD was exploring options for providing the required training to presidential appointees;
- DoD awarded a contract for a study on leading practices for cross-functional teams
- DoD was taking initial steps to develop an organizational strategy

Section 911 directed the SecDef to:

Formulate and issue an organizational strategy for DoD. The organizational strategy, the act stated, should identify the critical objectives and other organizational outputs that span multiple functional boundaries and would benefit from the use of cross-functional teams to *ensure collaboration and integration* across the department

Committee Report Language

Sec 941. The *committee stresses that the mission teams must remain small and agile*, numbering approximately 8–10 people. *This is a critical point. One way that teams fail in DoD is* that every organization that thinks its equities might be affected insists on having a representative on the group. *This bloats and infiltrates the group with people who only care about protecting their parent organizations' equities*



OCMO Role in Reform – Culture

Gen Selva as Vice Chairman of the Joint Chiefs of Staff – Apr 13, 2017

- AFA/Air Force Breakfast Series, Breaking Defense reporter question:
 - Question: Why a budget should actually be passed? Response about defending budget
 - *Gen Selva asks “Why can’t you find the \$125B that the DBB said was there?”*
 - *“Great ideas, but not practical...”* “Great ideas, some of them we’ve already executed and they didn’t yield the savings that we thought they would. *But everybody that has the report wants to wave it in front of us and say, ‘You haven’t tried all \$125 billion, so therefore you’re not trying hard enough.’”*



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